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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of

GTCR Onvoy Holdings, LLC,
Transferor,

Onvoy, LLC (U-6487-C),
Broadvox-CLEC, LLC (U-7160-C),
ANPI Business, LLC (U-6418-C),
ANPI, LLC (U-5795-C),
Neutral Tandem-California, LLC (U-6877-C),
Licensees,

and

Sinch US Holding Inc.,
Transferee,

for Approval to Transfer Indirect Control of Licen-
sees to Transferee Pursuant to California Public Utili-
ties Code Section 854(a)

A.21-____ - ____

EXHIBIT K

Financial Information of Transferee

Multi-year review

Consolidated

Income statement, SEK million	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Net sales	5,035.6	3,986.6	3,058.1	2,333.9	844.4	605.5
Cost of goods and services sold	-3,641.4	-2,978.2	-2,278.1	-1,691.6	-592.5	-372.6
Gross profit	1,394.1	1,008.4	780.0	642.3	251.9	232.9
Other revenue	103.1	109.6	59.5	40.8	29.6	13.8
Work performed by the entity and capitalized	38.6	21.7	17.9	22.7	3.3	3.8
Employee benefits expenses	-537.6	-405.1	-312.6	-281.7	-124.7	-102.3
Other expenses	-442.7	-361.4	-281.7	-262.2	-66.9	-70.0
Operating profit, EBITDA	555.5	373.3	263.2	161.9	93.1	78.3
Depreciation, amortization, and impairments	-183.9	-155.5	-138.3	-49.5	-4.4	-2.0
Operating profit, EBIT	371.6	217.8	124.9	112.5	88.7	76.2
Financial income	41.9	22.6	185.2	105.1	0.9	0.6
Finance expenses	-58.5	-39.1	-235.7	-96.2	-19.8	-32.8
Profit before tax	355.0	201.3	74.4	121.4	69.8	44.1
Tax	-80.6	-21.8	60.0	-9.8	-16.8	-10.8
Profit for the year	274.5	179.5	134.4	111.6	52.9	33.3
Attributable to:						
Owners of the parent	274.6	179.5	133.9	111.3	53.2	33.3
Non-controlling interests	-0.1	0.0	0.5	0.2	-0.3	0.0

Balance sheet, SEK million	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	30 Jun 2015	30 Jun 2014
Intangible assets	2,791.4	2,145.5	1,763.6	1,564.9	65.9	54.5
Property, plant, and equipment	106.2	18.9	23.1	14.2	4.7	1.7
Financial assets	12.0	15.1	29.2	11.4	2.6	-
Deferred tax assets	237.6	191.9	191.4	29.6	0.2	4.4
Current assets excluding cash and cash equivalents	1,377.4	1,074.2	858.7	587.2	189.8	192.2
Cash and cash equivalents	466.3	180.8	164.6	115.3	71.0	55.9
Total assets	4,990.9	3,626.3	3,030.6	2,322.6	334.2	308.7
Equity	1,998.6	1,664.2	1,494.6	865.0	41.5	-128.3
Non-current liabilities	1,777.0	841.6	638.3	744.6	94.3	308.8
Current liabilities	1,215.3	1,120.5	897.8	713.0	198.5	128.3
Total equity and liabilities	4,990.9	3,626.3	3,030.6	2,322.6	334.2	308.7

Cash flow statement, SEK million	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Cash flow from operating activities	327.3	304.6	51.3	107.6	94.9	-5.1
Cash flow from investing activities	-712.4	-370.4	-562.6	-1,053.4	-9.8	13.5
Cash flow from financing activities	673.1	75.5	564.2	989.2	-70.2	-13.5
Cash flow for the year	288.0	9.8	52.9	43.4	14.9	-5.1

Cash and cash equivalents at the beginning of the financial year	180.8	164.6	115.3	71.0	55.9	61.0
Exchange rate differences in cash and cash equivalents	-2.4	6.4	-3.7	1.0	0.2	0.1
Cash and cash equivalents at the end of the financial year	466.3	180.8	164.6	115.3	71.0	55.9

Key data	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Return on equity, %	15.0	11.4	11.4	24.6	-121.8	-23.0
Gross margin, %	27.7	25.3	25.5	27.5	29.8	38.5
EBITDA margin, %	11.0	9.4	8.6	6.9	11.0	12.9
EBIT margin, %	7.4	5.5	4.1	4.8	10.5	12.6
Equity/assets ratio, %	40.0	45.9	49.3	37.2	12.4	-41.6
Net debt, SEK million	958.7	405.5	348.8	368.6	8.9	245.6
Items affecting comparability in EBITDA, SEK million	-18.0	6.2	-33.5	-76.1	4.0	-
Adjusted EBITDA, SEK million	573.5	367.1	296.7	238.1	89.1	78.3
Adjusted EBITDA/gross profit, %	41.1	36.4	38.0	37.1	35.4	33.6
Net debt, SEK million	958.7	405.5	348.8	368.6	8.9	245.6
Net debt/Adjusted EBITDA, multiple	1.7	1.1	1.2	1.5	0.1	3.1
Interest coverage ratio, multiple	14.0	9.9	7.1	14.2	4.5	2.3

Share data	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Total shares outstanding at the end of the financial year	53,602,089	53,602,089	53,602,089	49,534,442	1,081,081	1,000,000
Weighted average number of shares, before dilution*	53,602,089	53,602,089	52,002,693	42,706,358	34,853,978	34,853,978
Weighted average number of shares, after dilution*	54,234,275	53,602,089	52,002,693	43,212,236	34,892,690	34,853,978
Basic earnings per share, SEK	5.12	3.35	2.58	2.58	1.53	0.96
Diluted earnings per share, SEK	5.06	3.35	2.58	2.55	1.52	0.96
Dividend per share, SEK	0	0	0	0	0	0

*Historic average number of shares restated after split and new issues for comparison.

Definitions

Financial measurements defined under IFRS

EARNINGS PER SHARE, BASIC AND DILUTED

Net profit for the period attributable to owners of the parent divided by the volume-weighted average number of shares outstanding in the period before/after dilution.

Return on equity

Definition: Profit or loss for the year divided by average equity

Purpose: Return on equity is a measure of profitability in relation to the book value of equity. Return on equity is a measure of how investments are used to generate higher earnings and return on shareholders' capital.

Gross margin

Definition: Gross profit divided by net sales

Purpose: Gross margin reflects the percentage of the company's net sales that constitutes its own value and not paid to suppliers (mobile operators).

Gross profit

Definition: Net sales less the cost of goods and services sold

Purpose: Displays the company's own value creation excluding costs to suppliers (mobile operators).

Average total equity

Definition: Total equity at the end of the preceding year plus total equity at the end of the current year divided by two

Purpose: Used for calculating return on equity.

Net debt

Definition: Interest-bearing liabilities less cash and cash equivalents

Purpose: Used to track debt development and see the size of refinancing needs.

Organic growth

Definition: Growth adjusted for the effect of acquisitions and change in foreign exchange rates

Purpose: Sinch's accounting currency is SEK, while revenues and expenses are mainly in other currencies. Growth adjusted for acquired units and currency effects show the underlying growth.

Gross profit growth

Definition: Gross profit of the year divided by preceding year's gross profit

Purpose: Growth in gross profit is more relevant than growth in net sales because the cost of goods sold varies widely between different geographical markets.

Interest-bearing liabilities

Definition: Bank loans, bonds, and leasing liabilities

Purpose: Used for calculating net debt.

Interest coverage ratio

Definition: EBIT plus interest income divided by interest expenses

Purpose: Indicates the company's ability to cover its interest expenses.

Operating profit, EBITDA

Definition: Profit for the period before financial income, financial expenses, tax and depreciation and amortization and impairment of intangible assets and property, plant, and equipment

Syfte: Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates.

Adjusted EBIT

Definition: EBIT adjusted for items affecting comparability that affected EBIT and amortization of acquisition related assets

Purpose: Enables comparisons of profitability over time regardless of the depreciation and write-downs of acquisition related intangible assets as well as corporate tax rates and financing structure. The key figure is also adjusted for items affecting comparability to increase comparability over time. Depreciation of tangible assets and other intangible assets is included, as it is a measure of resource consumption that is necessary to generate results.

Financial measurements not defined under IFRS

The company presents certain financial measurements that are not defined under IFRS. The company believes that these measurements provide useful supplemental information to investors and the company's management for reasons including that they enable evaluation of the company's performance. Because not all companies calculate financial measurements in the same way, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be considered a substitute for measurements defined under IFRS.

Adjusted EBITDA

Definition: EBITDA adjusted for items affecting comparability that affected EBITDA

Purpose: Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates. The key figure is also adjusted for items affecting comparability to increase comparability over time.

Adjusted EBITDA per share

Definition: Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution

Purpose: Measures the earnings per share that the business creates adjusted for the impact of items affecting comparability.

Items affecting comparability

Definition: Non-recurring items such as capital gain/losses, impairments, IPO expenses, acquisition costs, integration costs and restructuring costs

Purpose: Separation of items affecting comparability clarifies the development of the underlying business.

Amortization of acquisition related assets

Definition: Amortization of acquired customer relations, operator relations, trademarks, and proprietary software

Purpose: The level of acquisition-related amortization is reported separately because they relate to the price of historical acquisitions rather than current investments in the business.

EBIT margin/adjusted EBIT margin

Definition: EBIT/adjusted EBIT divided by net sales

EBITDA margin/adjusted EBITDA margin

Definition: EBITDA/adjusted EBITDA divided by net sales

Adjusted EBITDA/gross profit

Definition: Adjusted EBITDA divided by gross profit

Purpose: The measure shows the company's operating margin excluding costs for goods sold (charges to mobile operators), which can partly be regarded as pass-through invoicing.

Net debt/adjusted EBITDA

Definition: Net debt divided by adjusted EBITDA

Purpose: Shows how many years it would take to pay off the company's debt, provided that the net debt and EBITDA are constant and without regard to other cash flows such as interest, tax and investments.

Equity/assets ratio

Definition: Equity divided by total assets

Purpose: Shows the company's financial position. Good solvency gives a readiness to handle periods of weak economic activity and financial preparedness for growth.

Operational measurements

Percentage women

Average number of women in relation to the average total number of employees during the period, recalculated as full-time equivalents.

Number of ordinary shares at the end of the period

Number of ordinary shares at the end of the period.

Average number of employees

Average number of employees during the period, recalculated as full-time equivalents.

Total shares outstanding at the end of the period

Total number of ordinary shares and preference shares at the end of the period.

Reconciliation, Gross profit	2019	2018
Net sales	5,035,553	3,986,643
Cost of goods and services sold	-3,641,449	-2,978,239
Gross profit	1,394,103	1,008,404
Items affecting comparability	2019	2018
Acquisition costs	-15,079	-9,432
Restructuring costs	-	8,884
Integration costs	-2,957	-27,174
Capital gain or loss, sale of mobile payments business	-	-8,125
Income, adjusted earnout	-	42,018
Total items affecting EBITDA comparability (1)	-18,036	6,171
Impairment of non-current assets IoT	-	-9,212
Total items affecting EBIT comparability (2)	-18,036	-3,041
Amortization of acquisition related assets	2019	2018
Amortization of proprietary software	-26,490	-22,875
Amortization of customer relationships	-92,877	-87,049
Amortization of operator relationships	-14,199	-13,747
Amortization of trademarks	-388	-324
Total amortization of acquisition related assets (3)	-133,954	-123,995
Total adjustments (2) + (3)	-151,990	-127,036
Reconciliation, Adjusted EBITDA	2019	2018
EBITDA	555,508	373,293
Items affecting EBITDA comparability (1)	18,036	-6,171
Adjusted EBITDA	573,544	367,122
Reconciliation, Adjusted EBIT	2019	2018
EBIT	371,642	217,808
Items affecting EBIT comparability (2)	18,036	3,041
Amortization of acquisition related assets (3)	133,954	123,995
Adjusted EBIT	523,632	344,844
Reconciliation, Net debt	31 Dec 2019	31 Dec 2018
Non-current interest-bearing liabilities	1,366,972	487,211
Current interest-bearing liabilities	58,051	99,037
Cash and cash equivalents	-466,297	-180,759
Net debt	958,726	405,489
Reconciliation, Interest coverage ratio	2019	2018
EBIT	371,642	217,808
Interest income	3,735	2,666
EBIT + interest income (1)	375,377	220,474
Interest expenses (2)	26,852	22,367
Interest coverage ratio, (1) divided by (2)	14.0	9.9

Income statement

Consolidated

	Note	2019	2018
Net sales	3	5,035,553	3,986,643
Other operating expenses	4	103,131	109,639
Work performed by the entity and capitalized	13	38,560	21,728
Cost of goods and services sold		-3,641,449	-2,978,239
Other external expenses	5, 6	-328,748	-280,321
Employee benefits expenses	7	-537,603	-405,086
Other operating expenses	4	-113,936	-81,071
Operating profit before depreciation, amortization and impairments, EBITDA		555,508	373,293
Depreciation, amortization and impairments	13, 14, 15	-183,866	-155,485
Operating profit, EBIT		371,642	217,808
Financial income	8	41,897	22,556
Finance expenses	8	-58,507	-39,066
Profit before tax		355,032	201,298
Current tax	10	-83,824	-41,098
Deferred tax	10	3,261	19,336
Profit for the year		274,469	179,536
Attributable to:			
Owners of the parent		274,614	179,528
Non-controlling interests		-145	11
Earnings per share, SEK			
Basic	11	5.12	3.35
Diluted	11	5.06	3.35

Statement of comprehensive income

Consolidated

	Note	2019	2018
Profit for the year		274,469	179,536
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period			
Translation differences		61,356	-13,154
Hedge accounting, net investment		-5,745	-6,281
Tax effect of items in other comprehensive income	10	1,229	1,023
Other comprehensive income for the year		56,840	-18,412
Comprehensive income for the year		331,309	161,124
Attributable to:			
Owners of the parent		331,518	161,364
Non-controlling interests		-209	-240

Statement of financial position

Consolidated

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	12	1,753,906	1,221,841
Customer relationships	13	764,003	682,640
Operator relationships	13	106,824	102,887
Proprietary software	13	162,694	135,821
Other intangible assets	13	3,924	2,308
Property, plant, and equipment	14	29,676	18,897
Right-of-use assets	15	76,567	-
Financial assets	16	11,987	15,104
Deferred tax assets	10	237,648	191,917
Total non-current assets		3,147,228	2,371,414
Current assets			
Inventory		362	689
Accounts receivable	17	1,159,641	879,890
Tax assets		23,802	15,583
Other current receivables	18	57,259	83,632
Accrued income and prepaid expenses	3, 19	136,338	94,362
Cash and cash equivalents	30	466,297	180,759
Total current assets		1,843,699	1,254,915
Total assets		4,990,927	3,626,329
EQUITY AND LIABILITIES			
Equity			
	20		
Share capital		5,360	5,360
Other capital contributions		1,390,831	1,386,759
Reserves		75,425	18,521
Accumulated losses including profit for the year		526,309	252,643
Equity attributable to owners of the parent		1,997,926	1,663,283
Non-controlling interests		699	908
Total equity		1,998,624	1,664,190
Non-current liabilities			
Deferred tax liabilities	10	270,334	218,360
Other non-current liabilities, interest-bearing	21	1,366,972	487,211
Other non-current liabilities, non-interest-bearing	22	139,717	136,077
Total non-current liabilities		1,777,023	841,647
Current liabilities			
Contract liabilities/Advance payments from customers	3	26,478	26,424
Provisions	23	21,318	27,719
Accounts payable		481,907	431,417
Tax liabilities		9,726	35,474
Other current liabilities, interest-bearing	21	58,051	99,037
Other current liabilities, non-interest-bearing	22	36,878	50,278
Accrued expenses and prepaid income	24	580,922	450,143
Total current liabilities		1,215,280	1,120,492
Total equity and liabilities		4,990,927	3,626,329

Statement of changes in equity

Consolidated

	Share capital	Other capital contributions	Reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance at 1 January 2018	5,360	1,377,702	36,682	73,661	1,493,405	1,148	1,494,552
Profit for the year				179,528	179,528	11	179,539
Other comprehensive income			-18,161		-18,161	-251	-18,412
Warrants		9,057			9,057		9,057
Issue expenses, net after tax				-546	-546		-546
Closing balance at 31 December 2018	5,360	1,386,759	18,521	252,643	1,663,283	908	1,664,190
Profit for the year				274,614	274,614	-145	274,469
Other comprehensive income			56,904		56,904	-64	56,840
Warrants		4,072			4,072		4,072
Issue expenses, net after tax				-948	-948		-948
Closing balance at 31 December 2019	5,360	1,390,831	75,425	526,309	1,997,925	699	1,998,624

Statement of cash flows

Consolidated

	Note	2019	2018
Cash flow from operating activities			
Profit before tax		355,032	201,298
Adjustment for non-cash items	30	215,874	87,453
Income tax paid		-117,402	-65,106
Cash flow from operating activities before changes in working capital		453,503	223,645
Change in inventories		327	3,290
Change in accounts receivable		-220,755	-157,577
Change in other current receivables		-15,618	57,043
Change in accounts payable		-1,043	157,114
Change in other current liabilities		110,838	21,125
Cash flow from operating activities		327,254	304,640
Investing activities			
Acquisition of intangible assets	13	-38,679	-21,813
Acquisition of property, plant, and equipment	14	-17,347	-6,639
Change in financial receivables		12,120	-20,424
Acquisition of subsidiaries, net effect on cash and cash equivalents	31	-668,471	-321,508
Cash flow from investing activities		-712,377	-370,384
Financing activities			
New borrowing	21	1,453,413	722,234
Amortization of bank loan	21	-756,667	-654,016
Amortization, lease liability		-25,772	-154
Rights issue warrants	20	2,116	7,447
Cash flow from financing activities	30	673,091	75,511
Cash flow for the year		287,967	9,767
Cash and cash equivalents at the beginning of the financial year		180,759	164,588
Exchange rate differences in cash and cash equivalents		-2,429	6,404
Cash and cash equivalents at the end of the financial year	30	466,297	180,759

Income statement

Parent company

	Note	2019	2018
Net sales	1	45,689	30,879
Other operating expenses	4	224	90
Operating expenses			
Other external expenses	5, 6	-50,379	-37,069
Employee benefits expenses	7	-28,985	-17,959
Other operating expenses	4	-427	-114
Operating profit before depreciation, amortization and impairments		-33,879	-24,172
Depreciation, amortization and impairments	13, 14	-1,956	-1,735
Operating loss		-35,835	-25,907
Interest income and similar profit items	8	200,216	125,760
Interest expenses and similar profit items	8	-62,438	-54,657
Profit after net financial income/expenses		101,943	45,196
Appropriations	9	-25,680	-45,574
Profit/loss before tax		76,263	-379
Tax on profit/loss for the year	10	-14,225	-9
Profit/loss for the year¹⁾		62,038	-388

¹⁾ Profit for the year coincides with comprehensive income for the year

Balance sheet

Parent company

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	–	124
Property, plant, and equipment	14	6,820	6,477
Financial assets			
Investments in group companies	16	501,749	501,699
Non-current receivables, group companies	16	2,442,618	1,625,560
Total financial assets		2,944,366	2,127,258
Total non-current assets		2,951,186	2,133,859
Current assets			
Receivables from group companies		6,833	50,449
Tax assets		–	720
Other current receivables	18	7,097	1,124
Accrued income and prepaid expenses	19	12,542	7,077
Cash and bank balances	30	228	168
Total current assets		26,700	59,537
Total assets		2,977,887	2,193,396
EQUITY AND LIABILITIES			
Equity			
Share capital	20	5,360	5,360
Total restricted equity		5,360	5,360
Share premium reserve		1,363,191	1,359,869
Retained earnings		59,208	60,544
Profit/loss for the year		62,038	-388
Total non-restricted equity		1,484,437	1,420,025
Total equity		1,489,797	1,425,385
Untaxed reserves	25	28,381	8,554
Provision for contingent consideration	23	–	11,388
Deferred tax liabilities	10	1,352	–
Total provisions		1,352	11,388
Non-current liabilities			
Liabilities to credit institutions	21	1,268,625	487,211
Total non-current liabilities		1,268,625	487,211
Current liabilities			
Accounts payable		10,785	7,099
Tax liabilities		11,825	–
Liabilities to group companies		121,382	148,622
Liabilities to credit institutions	21	36,183	98,909
Financial lease liability	21	–	128
Other current liabilities	22	2,003	1,612
Accrued expenses and prepaid income	24	7,553	4,487
Total current liabilities		189,731	260,858
Total equity and liabilities		2,977,887	2,193,396

Statement of changes in equity

Parent company

	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance at 1 January 2018	5,360	1,351,755	61,064	1,418,179
Profit for the year			-388	-388
Warrants		8,114		8,114
Issue expenses, net after tax			-520	-520
Closing balance at 31 December 2018	5,360	1,359,869	60,156	1,425,385
Profit for the year			62,038	62,038
Warrants		3,322		3,322
Issue expenses, net after tax			-948	-948
Closing balance at 31 December 2019	5,360	1,363,191	121,247	1,489,797

Cash flow statement

Parent company

	Note	2019	2018
Cash flow from operating activities			
Profit/loss after net financial income/expenses		101,943	45,196
Adjustment for non-cash items	30	19,269	5,957
Income tax paid		-69	-4,519
Cash flow from operating activities before changes in working capital		121,142	46,633
Change in other current receivables		14,178	128,069
Change in accounts payable		8,312	3,141
Change in other current liabilities		-21,744	53,860
Cash flow from operating activities		121,887	231,703
Investing activities			
Acquisition of property, plant, and equipment		-2,175	-1,461
Change in financial receivables, group companies		-817,058	-116,151
Acquisitions of subsidiaries	31	-11,397	-80
Cash flow from investing activities		-830,631	-117,692
Financing activities			
Borrowings, bank and bond loans	21	1,453,413	723,032
Amortization of bank loan	21	-756,085	-654,170
Amortization of lease liability		-128	-
Change in financial liabilities, group companies		15,339	-144,834
Rights issue/warrants		2,116	7,447
Group contribution received/provided		-5,853	-45,327
Cash flow from financing activities		708,803	-113,853
Cash flow for the year		59	158
Cash and cash equivalents at the beginning of the financial year		168	10
Cash and cash equivalents at the end of the financial year	30	228	168

Notes

NOTE 1.

Accounting policies

General information

Sinch AB (publ), corporate registration number 556882-8908, is a public limited liability company incorporated in Sweden and domiciled in Stockholm. The address of the company's head-quarters is Lindhagensgatan 74, 112 18 Stockholm, Sweden. The company and its subsidiaries ("Sinch" or "the Group") provide cloud communications services to the enterprise sector, voice and video communications services and software solutions developed by Sinch and supplied to mobile operators as both products and services.

Compliance with standards and law

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. The Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR1, Supplementary Accounting Rules for Groups have also been applied. The parent company and the Group apply the same accounting policies, except where specified below under "Parent company accounting policies."

Measurement bases applied in preparing the financial statements

Assets and liabilities are recognized at historical cost, except certain financial instruments measured at fair value.

Functional currency and presentation currency

The parent company's functional currency is the Swedish krona, which is also the presentation currency for the parent and the Group. Accordingly, the financial statements are presented in Swedish kronor (SEK). Unless otherwise stated, all amounts are rounded to the nearest thousand.

Judgments and estimations in the financial statements

Preparation of financial statements in accordance with IFRS requires management to make judgments and estimations and make assumptions that affect the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and costs. The actual outcome may differ from these estimations and judgments.

The estimations and assumptions must be reviewed regularly. Changes of estimations are reported in the period the change is made if the change only affected this period, or in the period the change is made and future periods if the change affects both the current and future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The sources of estimation uncertainty outlined below refer to such that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

REVENUE

Sinch applies successive revenue recognition to commitments in projects of a fixed-price nature and makes continuous provisions for any risks and non-conformances. These estimations are based on past experience and other factors deemed reasonable under the circumstances. Actual outcome may differ from these estimations if other commitments or made or other circumstances exist.

Portions of consolidated sales originate from large and complex projects under fixed-price contracts. Projects are recognized in revenue successively as they are completed. The percentage of completion is determined based on services performed at the reporting date pro rata to the total performance. Estimation of the percentage of services performed is based on the total costs of the respective project. If an inaccurate estimation of the percentage of completion is made, this may result in erroneous reporting of consolidated sales and profit.

A sensitivity analysis shows that a changed assessment of the percentage of completion of 10 percentage points could have an effect on earnings of SEK 8,620 thousand (7,458).

IMPAIRMENT TESTING OF GOODWILL

In the calculation of cash generating units' recoverable value for the assessment of possible goodwill impairment, several assumptions about future conditions and estimations of parameters have been made. These are disclosed in note 12. As understood by the description in Note 12, changes in the conditions for these assumptions and estimations could have material effect on the value of goodwill.

TAX

Significant estimations are made in order to measure both current and deferred tax liabilities and tax assets and particularly the value of deferred tax assets. Consequently, the company must estimate the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The actual outcome may differ from these estimations for reasons including changes in the future business

climate, amendments to tax rules or the outcome of an audit by the tax authority of submitted tax returns.

As of 31 December 2019, the carrying amount of deferred tax assets was SEK 237,648 thousand (191,917) and the carrying amount of deferred tax liabilities was SEK 270,334 thousand (218,360).

New and amended IFRSs and interpretations 2019

Sinch applied IFRS 16 *Leases* for the first time effective 1 January 2019. The standard supersedes IAS 17 *Leases*. By reason of the transition from interbank offered rates, Sinch has chosen early application of *Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, and IFRS 7*. This change will have no impact on the financial statements. To the extent new or amended standards and interpretations are not described below, Sinch has determined that these will have no impact on the financial statements.

IFRS 16 LEASES

Sinch applied IFRS 16 *Leases* for the first time as of 1 January 2019. Sinch has consequently changed its accounting policies for leases as follows. Sinch has elected to apply the modified retrospective approach to the transition. The implications include that figures for the comparative year will not be restated in accordance with IFRS 16. Figures for the comparative year are therefore reported in accordance with IAS 17 *Leases*.

DEFINITION OF LEASES

IFRS 16 requires the lessee to report virtually all leases on the statement of financial position (balance sheet). Consequently, leases are no longer classified as either operating or finance leases. The underlying asset in the lease is recognized in the statement of financial position. In subsequent periods, the right-of-use (ROU) asset is carried at cost less accumulated depreciation and impairment, if any, and adjusted for any remeasurement of the lease liability. ROU assets are depreciated on a straight-line basis across the shorter of the useful life of the asset and the term of the lease. The lease liability is recognized in the statement of financial position and is carried at amortized cost less the amount of lease payments made. The lease liability is subsequently remeasured when changes occur in, for example, the lease term, residual value, and future lease payments.

The income statement will be affected in that operating expenses attributable to operating leases will be replaced by depreciation and interest expenses. Short-term leases (12 months or less) and leases where the underlying asset has a low value do not have to be recognized in the statement of financial position and Sinch has applied this option.

TRANSITION

Sinch is applying the modified retrospective approach to the transition as regards leases previously reported as operating leases. Under this approach, the lease liability is calculated as the present value of remaining lease payments discounted using the incremental borrowing rate as of 1 January 2019 and comparison years are not adjusted. Leases previously classified as finance leases have not been restated upon transition to IFRS 16.

The right-of-use (ROU) asset is measured at the sum of the lease liability adjusted for any prepaid or accrued lease payments. The lease liability and the ROU asset are recognized in the opening balance as of 1 January 2019.

Sinch applies the exemption that gives the right not to report short-term leasing contracts as well as for leases with low underlying asset values. The contracts are expensed on a straight-line basis. The interest expense for leasing liabilities is presented as a component of financial expenses separately from depreciation of ROU assets. In the cash flow statement, payments attributable to the leasing liability are reported in financing activities, while payments for short-term leases, low value leases and variable leasing fees, that are not included in the valuation of the leasing liability, are reported within the operations.

Reconciliation of operating lease obligations

Operating lease obligations as of 31 December 2018	98,913
Discount at the Group incremental borrowing rate 1.2-5%	-5,746
Finance lease liabilities as of 31 December 2018	175
Short-term leases expensed on a straight-line basis	-4,822
Low value leases expensed on a straight-line basis	-5,289
Adjustment related to extension options or termination clauses	563
Lease liability as of 1 January 2019	83,793

Effects on the statement of financial position, 1 January 2019

ROU assets	88,820
Prepaid expenses	-5,027
Equity	-
Lease liability - current	24,892
Lease liability - non-current	58,901

New and amended IFRSs and interpretations not yet effective

A number of new or amended standards and interpretations will not become effective until the next reporting period or later and have not been early applied in the preparation of these financial statements. There is no plan to early apply new standards or amendments that become effective for annual periods subsequent to 2020. New and amended standards and interpretations that will become effective in the future are not expected to have material impact on Sinch's financial statements.

Classification of current and non-current items

Assets and liabilities within the Sinch Group are classified as either current or non-current. Non-current receivables and payables consist in all material respects of amounts expected to fall due for payment later than one year from the end of the reporting period. Current receivables and payables fall due for payment within one year of the end of the reporting period.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which financial information is available. An operating segment's results are subsequently reviewed by the entity's chief operating decision maker in order to assess the performance of and allocate resources to the operating segment. See Note 2 Segment reporting for further information concerning the division and presentation of operating segments.

Consolidation policies and business combinations

SUBSIDIARIES

Subsidiaries are entities under the control of the parent company Sinch AB (publ). Control exists if the parent company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights and whether de facto control exists are taken into account when assessing whether control exists.

Subsidiaries are reported using the acquisition method of accounting. This means that an acquisition of a subsidiary is viewed as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value at acquisition date of acquired identifiable assets and liabilities, as well as any non-controlling interests. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are recognized directly in profit for the year.

In business combinations where the value of the consideration transferred, any non-controlling interest and (in a business combination achieved in stages) the fair value of previously held equity interest and assumed liabilities are recognized separately, the difference is recognized as goodwill. If the difference is negative (a "bargain purchase"), the resulting gain is recognized in profit or loss for the year.

Consideration transferred in connection with the acquisition does not include payments that represent a settlement of a pre-existing relationship. This type of settlement is recognized in profit or loss.

Contingent consideration is recognized at acquisition-date fair value. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and is settled in equity. For other contingent consideration, the items are remeasured at every reporting date and the change is recognized in profit or loss for the year.

Acquisitions from non-controlling interests are recognized as an equity transaction, that is, between the owners of the parent (within retained earnings) and non-controlling interests. Consequently, no goodwill arises in these transactions.

Consolidated accounting policies have been adjusted when subsidiary accounting policies differ from the consolidated accounting policies.

The financial statements of subsidiaries are included in the consolidated financial statements from acquisition date until the date control no longer exists.

TRANSACTIONS ELIMINATED UPON CONSOLIDATION

Intragroup receivables and liabilities, revenues, and costs and unrealized gains or losses arising from intragroup transactions between group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Foreign currency

TRANSACTIONS IN FOREIGN CURRENCY

Transactions denominated in foreign currency are translated to the functional currency at the exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rate prevailing on the reporting date. Exchange differences arising in the translations are recognized in profit or loss for the year. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the exchange rate prevailing when the fair values were determined.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the presentation currency of the Group, SEK, at the exchange rate prevailing at the reporting date. Revenues and costs in a foreign operation are translated to SEK at an average rate that is an approximation of the exchange rates prevailing at each respective transaction date. Translation differences arising in foreign operations are recognized in other comprehensive income and accumulated in the translation reserve in equity. When a foreign operation is sold, the cumulative translation differences attributable to the operation are realized from the translation reserve in profit or loss for the year.

Revenue

Revenue is recognized based on the contract with the customer and is measured based on the consideration Sinch expects to be entitled to in exchange for transferring promised services, excluding amounts collected on behalf of third parties. The Group recognizes revenue when control of a good or service is passed to the customer.

Sinch's revenues arise mainly from sales of mobile messaging services, initial software licenses and upgrades, hardware and support. The majority of Sinch's customers have an average payment term of 30 days. Extended payment terms may occur in individual software sales within the Operator Division. In the Enterprise Division, prepayments are also made by customers for SMS distributions.

SALE OF SERVICES

Revenue from sale of services on open charge accounts is recognized in the accounting period when the services are rendered; that is, both revenues and costs are recognized in the period when they are earned and incurred, respectively.

Successive revenue recognition is applied to sales of services on fixed-price contracts. This means that revenue and costs are recognized in relation to the percentage of completion at the reporting date. The percentage of completion is determined by calculating the relation to contract costs incurred for work performed at the reporting date and the estimated total contract costs. An anticipated loss on a service contract is immediately recognized as an expense. When the outcome of a service contract cannot be reliably estimated, revenue is recognized only in the amount that corresponds to contract costs incurred that are likely to be recovered from the customer. Contract costs are recognized as an expense in the period in which they are incurred. An anticipated loss is immediately recognized as an expense to the extent that it can be estimated.

Revenue from sales of hardware is recognized when the goods are delivered.

REVENUE FROM SEPARATE SUPPORT CONTRACTS

Revenue from separate support contracts is recognized on a straight-line basis over the term of the contract.

REVENUE FROM SEPARATE UPGRADES OF SOFTWARE LICENSES

Revenue from separate upgrades of software licenses is recognized when the software is delivered. When modifications to the software are to be performed after the initial delivery, revenue is recognized as sales of services at fixed prices.

Leases

POLICIES APPLIED FROM 1 JANUARY 2019

When a contract is made, the Group determines whether the contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the date the lease commences or upon remeasurement of a lease that contains several components, lease or non-lease components, the Group allocates the consideration payable under the contract based on the relative stand-alone price of each component. When the components cannot be separated, they are accounted for as a single lease component.

LEASES IN WHICH THE GROUP IS THE LESSEE

The Group recognizes a right-of-use (ROU) asset and a lease liability when the lease commences. The ROU asset is initially recognized at cost, which consists of the initial value of the lease liability plus payments at or prior to commencement plus any initial direct costs. The ROU asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the period of use and the end of the lease term, which for the Group is normally the end of the lease term. When the cost of the ROU asset reflects the fact that the Group will exercise the option to purchase the underlying asset, the asset is depreciated to the end of the period of use.

The lease liability, which is divided into current and non-current components, is initially measured at the present value of remaining lease payments during the assessed lease term. The lease term is the non-cancellable period plus periods covered

by an extension option if exercise of that option is reasonable certain at the commencement date.

Lease payments are discounted at the Group's incremental borrowing rate, which reflects the Group's credit risk. The incremental borrowing rate is allocated to various terms depending on the duration of the leases.

The lease liability comprises the present value of the following payments during the assessed lease term:

- fixed payments
- variable lease payments linked to an index or rate, initially measured using the index or rate as of the commencement date,
- any amounts expected to be payable under residual value guarantees,
- the settlement amount for a purchase option the Group is reasonably certain will be exercised, and
- penalties payable upon termination of the lease if the determined lease term reflects that such termination will occur.

The value of the liability increases by the interest expense for each period and is reduced by payments made. The interest expense is calculated as the value of the liability multiplied by the discount rate.

The lease liability for premises occupied by the Group where rent is index-linked is calculated based on the rent in effect at the end of each reporting period. At this date, the liability is adjusted with a corresponding adjustment of the carrying amount of the ROU asset. Likewise, the value of the liability and of the asset are adjusted when the lease term is remeasured. This occurs when the final termination date within the previously determined lease term for a lease for premises has passed or when significant events occur or there is a material change in circumstances in a manner that is within the Group's control and affects the current determination of the lease term.

ROU assets and lease liabilities are not recognized for leases with a term of 12 months or less or leases where the underlying asset is of low value (below SEK 50,000). Payments for these leases are recognized as an expense on a straight-line basis over the lease term. This also applies to variable lease payments.

See "Impairments" for information concerning impairment testing.

LEASES IN WHICH THE GROUP IS THE LESSOR

When the Group is the lessor, each lease is classified at the commencement date as either a finance lease or an operating lease.

When the classification is determined, a general assessment is performed of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease. If it is not, it is an operating lease.

When a leased asset is subleased, the head lease and the sublease are accounted for as two separate leases. The Group classifies the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying assets.

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term.

Leases according to policies applied through 31 December 2018

OPERATING LEASES

Costs related to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives received in conjunction with signing a lease are recognized in profit or loss as a reduction of the lease charges on a straight-line basis over the term of the lease. Variable charges are recognized as an expense in the periods they are incurred.

FINANCE LEASES

In accounting for finance leases, the asset is recognized as a non-current asset in the statement of financial position and initially measured at the lower of the fair value of the leased property and the present value of minimum lease payments at the inception of the lease. The corresponding obligation to pay future lease payments is recognized as a current or non-current liability. Leased assets are depreciated over the useful life of the asset, while lease payments are recognized as interest and repayments of the liabilities.

Minimum lease payments are apportioned between the finance charge (interest expense) and reduction of the outstanding liability. The finance charge is apportioned over the term of the lease so that an amount is allocated to each period that corresponds to a constant periodic rate of interest on the liability recognized in the respective period. Variable charges are recognized as an expense in the periods they are incurred.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend income, exchange gains, and gains upon changes in value of financial assets or liabilities at fair value through profit or loss. Interest on financial instruments is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established. Financial expenses consist of interest expenses, exchange losses, and losses upon change in value of financial assets and liabilities at fair value in profit or loss, and such losses on hedge instruments recognized in profit for the year. Borrowing expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or the financial liability. The estimation includes all charges paid or received and which are part of the effective interest rate.

Taxes

The Group's total tax expense comprises current and deferred tax. Tax is recognized in profit for the year except when the underlying transaction is recognized in other comprehensive income or in equity, whereupon the associated tax effect is recognized in other comprehensive income or in equity.

Current tax is tax to be paid or refunded for the current year upon application of the tax rates enacted or substantively enacted as of the reporting date. Adjustment of current tax attributable to earlier periods is also included in current tax.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amounts

and tax values of assets and liabilities. The measurement of deferred tax is based on how the temporary differences are expected to be realized or settled and upon application of the tax rates enacted or substantively enacted as of the reporting date.

Temporary differences are not taken into account if they arise upon initial recognition of goodwill or initial recognition of assets and liabilities (other than in a business combination) in transactions that do not affect either accounting profit or taxable profit.

Deferred tax assets arising from deductible temporary differences and loss carryforwards are recognized only to the extent it is probable that the temporary differences will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Any additional income taxes that arise upon distribution of dividends is recognized when the dividend is recognized as a liability.

Earnings per share

Calculation of earnings per share is based on consolidated profit or loss attributable to owners of the parent and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit or loss and the average number of shares are adjusted to account for the effects of potentially dilutive ordinary shares.

Intangible assets

GOODWILL

Goodwill acquired in business combinations is recognized in the statement of financial position if the aggregate of the value of consideration transferred, the amount of any non-controlling interest and, in a business combination achieved in stages, the fair value of the company's previously held equity interest, exceeds the fair value of acquired identifiable assets and assumed liabilities.

Goodwill is measured at cost less accumulated impairments, if any. Goodwill is allocated to cash-generating units and tested for impairment annually and as soon as there is any indication that the asset in question has declined in value.

RESEARCH AND DEVELOPMENT

Research and development costs aimed at obtaining new scientific or technical knowledge are recognized when they are incurred. Costs for development, research findings, or other knowledge applied to achieve new or improved products or processes are recognized as an asset in the statement of financial position if the product or process is technologically and commercially feasible and the company has adequate resources to complete the development and thereafter use or sell the intangible asset. The carrying amount includes all directly attributable costs, such as for materials and services, compensation to employees, registration of a legal right and amortization on patents and licenses. Other development costs are recognized in profit or loss for the year when they are incurred. Development costs recognized in the statement of financial position are carried at cost less accumulated amortization and any impairment losses.

OTHER INTANGIBLE ASSETS

Other intangible assets comprise licenses, customer relationships, operator relationships, trademarks, and proprietary software and are carried at cost less accumulated amortization and impairments, see accounting policies for impairments.

COSTS INCURRED SUBSEQUENTLY

Costs incurred subsequently for capitalized intangible assets are recognized in the statement of financial position as an asset only if they increase the future economic benefits of the specific asset to which they relate. All other costs are recognized as an expense when they are incurred.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets is based on the estimated useful lives of the assets. Amortization is taken straight-line over the estimated useful life of the asset, unless the asset has an indefinite useful life. Intangible assets with definite useful lives are amortized as of the date they are ready to be used. Estimated useful lives are reassessed annually.

Estimated useful lives:

– Licenses	3-5 years
– Customer relationships	5-10 years
– Operator relationships	5-10 years
– Trademarks	1-1.5 years
– Proprietary software	3-5 years

Property, plant, and equipment**OWNED ASSETS**

Items of property, plant, and equipment are carried at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and costs directly attributable to the asset to deliver the asset and bring it to working condition for its intended use. The carrying amount of an item of property, plant, and equipment is removed from the statement of financial position when it is withdrawn from use or disposed of or when no future economic benefits are expected from the use or disposal of the asset. The gain or loss on disposal or withdrawal from use of an asset is the difference between the selling price and the carrying amount of the asset less direct costs to sell.

Costs incurred subsequently are added to the cost of the asset only when it is probable that the future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. All other costs incurred subsequently are recognized as costs in the period they are incurred.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Assets are depreciated on a straight-line basis across the estimated useful life of the asset.

Estimated useful lives:

– Computers	3-5 years
– Equipment	3-5 years

The useful lives for leasehold improvements are based on the remaining term of the underlying lease. Depreciation methods applied and estimated useful lives are reviewed at the end of each year.

Impairments

The Group's reported assets, excluding deferred tax assets, are assessed at each reporting date to determine whether the assets may be impaired. The carrying amount of deferred tax assets is tested according to the relevant standard.

If there is indication of impairment loss, the recoverable amount of the asset is estimated. The recoverable amount of goodwill is also estimated annually. When a largely independent cash flow cannot be determined for an individual asset and its fair value less costs to sell cannot be used, the assets are grouped for impairment testing in a cash-generating unit, which is the lowest level at which largely independent cash flows can be identified. An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal (net selling price) and its value in use. In calculating value in use, future cash flows are discounted by an interest rate that reflects current market-based estimations of the time value of money and the risks specific to the cash generating units. This interest rate is assessed as corresponding to Sinch's weighted average cost of capital. Impairments are charged to profit or loss. When indication of an impairment loss has been identified for a cash-generating unit, the impairment loss is allocated primarily to goodwill. Thereafter, the remaining loss is allocated to the other assets included in the CGU pro rata.

REVERSALS OF IMPAIRMENT LOSSES

Impairment losses for assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions used to determine the recoverable amount. Impairment losses for goodwill are never reversed. Reversals are done only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less depreciation if any, if the impairment had not been recognized. Impairment losses for loan receivables and accounts receivable recognized at amortized cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was recognized.

Financial instruments**INITIAL RECOGNITION AND MEASUREMENT**

Accounts receivable and debt instruments are recognized when they are issued. Other financial assets and financial liabilities are recognized when Sinch becomes a party to the contractual provisions of the instrument. Financial assets, except accounts receivable that do not have a significant financing component, and financial liabilities are measured upon initial recognition at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the business combination or the issue. Accounts receivable that do not have a significant financing component are measured at the transaction price.

Financial assets

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Upon initial recognition, financial assets are classified as measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Financial assets are not reclassified after initial recognition unless Sinch's business model objective for its financial assets changes.

A financial asset must be measured at amortized cost if it meets the following two conditions and has not been designated at fair value through profit or loss:

- the objective of the business model is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at fair value through other comprehensive income if it meets the following two conditions and has not been designated at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets and liabilities at fair value through profit or loss

SUBSEQUENT MEASUREMENT

These assets are subsequently measured at fair value. Net gains and losses, including all interest or dividend income, are recognized in profit or loss.

Financial assets measured at amortized cost

SUBSEQUENT MEASUREMENT

These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is recognized net of any impairments. Interest income, exchange rate gains and losses and impairment losses are recognized in profit or loss. Gains or losses arising upon derecognition are recognized in profit or loss.

WRITE-DOWNS

Sinch reports a loss reserve for expected credit losses on a financial asset that is measured at fair value through other comprehensive income and for a contractual asset. For accounts receivable and contract assets, there are simplifications that mean that the Group must directly report expected credit losses. For financial instruments for which there has been a significant increase in the credit risk since the first accounting date, a reserve based on credit losses for the entire duration of the asset is reported.

The Group's exposure to credit risk is mainly attributable to

accounts receivable. The simplified model is used for calculating credit losses on accounts receivable and contract assets through a commission matrix that is based on past events, current conditions and forecasts for future financial conditions. Credit loss reserve on cash and cash equivalents is based on credit institutions' rating.

Write-downs of accounts receivable and contract assets are reported in operating profit. Write-downs of cash and cash equivalents and long-term receivables are reported among financial items.

Financial liabilities

CLASSIFICATION, SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

Financial liabilities are measured at amortized cost or fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, such as a derivative instrument, or if it has been designated as such upon initial recognition. Financial liabilities are measured at fair value through profit or loss and net gains and losses, including interest expenses, are recognized in profit or loss. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expenses and exchange rate gains and losses are recognized in profit or loss. Gains or losses in connection with derecognition are also recognized in profit or loss. See Note 29 regarding financial liabilities identified as hedging instruments.

DERECOGNITION FROM THE STATEMENT OF FINANCIAL POSITION

FINANCIAL ASSETS

Sinch removes a financial asset from the statement of financial position when the contractual rights to receive the cash flows from the financial asset expire, if risks and benefits are transferred or Sinch has transferred the contractual rights to receive the cash flows.

FINANCIAL LIABILITIES

Sinch removes a financial liability from the statement of financial position when the obligations specified in the contract are discharged, canceled, or expire. When a financial asset is removed, the difference between derecognized carrying amount and the consideration paid, including transferred non-monetary assets or assumed liabilities, is recognized in profit or loss.

OFFSETTING

Financial assets and financial liabilities are offset and recognized net in the statement of financial position only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

Currency forward contracts are used to hedge receivables or liabilities against foreign currency risk. Hedge accounting is not applied against foreign currency risk because financial hedges are reflected in the accounts through that both the underlying receivable or

liability and the hedging instrument are recognized at the closing day rate and exchange rate changes are recognized in profit or loss for the year. Exchange rate changes relating to operating receivables and liabilities are recognized in operating profit or loss while exchange rate changes relating to financial receivables and liabilities are recognized in net financial income or expenses.

HEDGING OF CURRENCY RISK IN FOREIGN NET INVESTMENTS

Investments in foreign subsidiaries (net assets including good will) have been partially hedged through the raising of foreign currency loans that are translated to the closing rate at the reporting date. Exchange rate differences arising from financial instruments used as hedging instruments in a hedge of net investments in a group company are recognized, to the extent the hedge is effective, in other comprehensive income and accumulated in the translation reserve in equity. This is done to neutralize the translation differences that affect equity when group companies are consolidated. When a subsidiary is sold, the cumulative value change related to the sold business is moved from the translation reserve in equity to profit or loss for the year.

When the hedges are entered into, the relationship between the hedging instrument and the hedged item is documented together with the Group's goals for risk management and the risk management strategy for the hedging. The documentation also includes an assessment of how the hedging instruments are expected to be effective in counteracting exchange rate fluctuations in the hedged item. The effectiveness of the hedging is assessed on the basis of these criteria:

- there is a financial link between the hedged item and the hedging instrument,
- the effect of the credit risk does not dominate the changes that result from the economic relationship and
- the hedging ratio for the hedging relationship is the same as the amount of the hedged item actually hedged and the quantity of the hedging instrument actually used to hedge the amount of hedged items.

Provisions

Provisions differ from other liabilities in that the timing or amount to settle the provision is uncertain. Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are recognized in the amounts that are best estimates of the outflows that will be required to settle the existing obligation at the reporting date. Where the time value of money is material, provisions are measured by discounting the expected future cash flow at a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability

RESTRUCTURING

A provision for restructuring is recognized when a detailed formal restructuring plan has been adopted and has started being implemented, or announced to those affected. No provisions are made for future operating expenses.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the economic benefits expected to be received from the contract are lower than the unavoidable costs of meeting the contractual obligations.

Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

The undiscounted amount of short-term employee benefits is recognized in the accounting period when the related service was rendered. A provision is recognized for the expected cost of bonus payments when the Group has a legal or constructive obligation to make such payments as a result of employee services rendered and the obligation can be reliably measured.

DEFINED CONTRIBUTION PENSION PLANS

All pension solutions in the Group are classified as defined contribution pension plans. Accordingly, the Group's obligation is limited to the contributions the Group has committed to pay. In such case, the size of the employee's pension depends upon the contributions the company pays to the plan or to an insurance company and upon the return on capital generated by the contributions. Consequently, the actuarial risk (that pension benefits will be lower than expected) and the investment risk (that the invested assets will be insufficient to generate the expected benefits) are borne by the employee. The company's obligations regarding payments to defined contribution plans are charged to profit and loss as the employees render services.

SEVERANCE PAY

The Group recognizes a cost for severance pay only when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal time. When compensation is offered to encourage voluntary termination, a cost is recognized if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

SHARE-BASED PAYMENTS

Sinch has issued an equity-settled employee share ownership plan. The plan is for three years and the employee must have remained employed by Sinch over the term and Sinch's earnings per share must have increased by at least 10 percent per year. The cost of share-based payments is based on the fair value of the subscription rights the employee is granted. The fair value of granted warrants is estimated using the Black & Scholes model and takes the terms, conditions and circumstances in effect at grant date into account. The amount recognized as an expense is adjusted to reflect the actual number of warrants vested. In subsequent periods, this expense is adjusted to reflect the actual number of warrants vested. However, no adjustment is made when warrants are forfeit because share price-related criteria are not met to the extent that confers a redemption right. Social insurance fees attributable to the employee benefits expense that arises upon vesting are expensed over the vesting period. The provision for social security charges is based on the fair value of the warrants at the reporting date. Fair value is mea-

sured using the same model that was used when the warrants were issued.

Upon redemption within the framework of equity-settled programs, own shares are delivered to the employee. Upon redemption, the payment of the redemption price received from the employee is recognized as an increase in equity.

Contingent liabilities

Disclosure of a contingent liability is made when there is a possible obligation arising from past events and whose existence will be confirmed only by one or more uncertain future events or when there is an obligation not recognized as a liability or provision because the possibility of an outflow of resources is remote.

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow comprises only transactions that entail cash receipts and cash payments. Sinch's cash and cash equivalents comprise cash in hand and bank deposits.

Parent company accounting policies

The parent company's annual accounts were prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and recommendation RFR 2 *Accounting of Legal Entities* issued by the Swedish Financial Accounting Standards Council. Opinions issued by the Swedish FASC applicable to listed companies were also applied. RFR 2 requires the parent to apply all IFRSs and interpretations endorsed by the EU to its annual accounts for the legal entity to the extent possible within the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act, while observing the relationship between accounting and taxation. RFR2 specifies the exceptions and additions to IFRSs that must be made. Differences between consolidated and parent company accounting policies are disclosed below.

CHANGED ACCOUNTING POLICIES

If not otherwise stated below, the parent company's accounting policies have changed in accordance with that stated concerning the Group.

CLASSIFICATION AND PRESENTATION

An income statement and a statement of comprehensive income is presented for the parent company. For the Group, these two reports together constitute the statement of comprehensive income and statement of other comprehensive income. The parent company uses the designations "balance sheet" and "cash flow statement" for the reports that the Group refers to as the "consolidated statement of financial position" and the "consolidated statement of cash flows."

The parent company income statement and balance sheet are presented as set out in the Swedish Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1 *Presentation of financial statements* and IAS 7 *Statement of cash flows*, respectively. The differences against the consolidated financial statements found in the parent company income statement and balance sheet comprise mainly equity

reporting and the use of provisions as a separate line item in the balance sheet.

SUBSIDIARIES

The parent company accounts for investments in subsidiaries using the cost method and include transaction costs directly attributable to the acquisition. Any contingent consideration is recognized when a probable and reliable amount can be estimated and any remeasurements of the value are adjusted against acquisition cost. The consolidated financial statements recognize contingent consideration at fair value with changes in value through profit or loss.

FINANCIAL INSTRUMENTS

By reason of the relationship between accounting and taxation, the rules in IAS 9 are not applied to the parent company as a legal entity. Non-current financial assets are measured at cost less any impairment losses and current financial assets are measured at the lower of cost and net realizable value.

FINANCIAL GUARANTEES

The parent company's financial guarantee contracts consist primarily of guarantee commitments to the benefit of subsidiaries. Under financial guarantees, the company has an obligation to compensate the holder of a debt instrument for losses the holder incurs because a specified debtor does not remit payment as due under contractual terms. In relation to reporting of financial guarantees, the parent company applies a relief rule permitted by the Swedish Financial Reporting Board compared with the rules in IFRS 9. The relief rule refers to financial guarantees issued to the benefit of subsidiaries. In these cases, the rules in IAS 37.14 and 37.36 are applied instead, according to which financial guarantees are recognized as a provision in the balance sheet when the parent company has a legal or constructive obligation that has arisen as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation. It must also be possible to reliably estimate the amount.

EQUITY-SETTLED PROGRAMS ISSUED TO EMPLOYEES OF SUBSIDIARIES

The estimated value and carrying amount of equity-settled programs issued to employees of other companies in the Group are recognized in the parent company as capital injections to subsidiaries. When the parent company recognizes an increase in equity, the value of investments in subsidiaries simultaneously increases. The costs related to employees in the companies concerned are billed onward to the respective subsidiaries on an ongoing basis and are settled in cash, which neutralizes the increase in investments in subsidiaries.

ANTICIPATED DIVIDENDS

Anticipated dividends from subsidiaries are recognized when the parent company has the unilateral right to determine the amount of the dividend and the parent company has decided the amount of the dividend before publishing its financial statements.

REVENUE

Services performed by the parent company are recognized in profit or loss when the service is complete. Revenue in the parent company refers to internal group services, delivered over time.

OPERATING LEASES

Costs related to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives received in conjunction with signing a lease are recognized in profit or loss as a reduction of the lease charges on a straight-line basis over the term of the lease. Variable charges are recognized as an expense in the periods they are incurred.

FINANCE LEASES

In accounting for finance leases, the asset is recognized as a non-current asset in the balance sheet and initially measured at the lower of the fair value of the leased property and the present value of minimum lease payments at the inception of the lease. The corresponding obligation to pay future lease payments is recognized as a current or non-current liability. Leased assets are depreciated over the useful life of the asset, while lease payments are recognized as interest and repayments of the liabilities.

Minimum lease payments are apportioned between the finance charge (interest expense) and reduction of the outstanding liability. The finance charge is apportioned over the term of the lease so that an amount is allocated to each period that corresponds to a constant periodic rate of interest on the liability recognized in the respective period. Variable charges are recognized as an expense in the periods they are incurred.

TAXES

Untaxed reserves are reported in the parent company with no division between equity and deferred tax liabilities. Correspondingly, there is no allocation of a portion of appropriations to deferred tax expense in the parent company income statement.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

The parent company reports received and issued Group contributions according to the alternative rule as appropriations. Shareholder contributions are recognized by the recipient directly in equity and are capitalized in shares and participating interests by the issuer to the extent that impairment is not required.

MERGERS

Mergers are reported in accordance with BFNAR 1999:1 *Merger of wholly owned subsidiaries*. The consolidated value method is applied, by which the assets and liabilities of merged subsidiaries are recognized by the respective parent company at the values recognized in the consolidated financial statements. There were no mergers with the parent company during the year.

NOTE 2.

Segment reporting

2019, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations	Group
Revenue from external customers	4,619.8	248.5	167.3	-	5,035.6
Revenue from other segments	72.7	0.4	6.0	-79.1	-
Gross profit	1,124.4	109.5	160.2	0.0	1,394.1
EBITDA	557.3	26.6	15.7	-44.1	555.5
Depreciation, amortization and impairments					-183.9
EBIT					371.6
Financial income and expenses					-16.6
Profit before tax					355.0
Non-current assets¹⁾					2,897.6

¹⁾ Of which Sweden SEK 298.5 million, Brazil SEK 439.4 million, Denmark SEK 204.4 million, France SEK 247.2 million, United Kingdom SEK 375.9 million, Germany SEK 149.9 million, United States SEK 1,178.7 million and other countries SEK 3.6 million. Corporate includes EBITDA for the parent company in the amount of SEK -19.4 million.

2018, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations	Group
Revenue from external customers	3,744.1	91.0	151.5	-	3,986.6
Revenue from other segments	8.2	0.4	5.3	-13.9	-
Gross profit	817.3	50.5	140.6	0.0	1,008.4
EBITDA	376.7	-10.5	23.8	-16.7	373.3
Depreciation, amortization and impairments					-155.5
EBIT					217.8
Financial income and expenses					-16.5
Profit before tax					201.3
Non-current assets¹⁾					2,164.4

¹⁾ Of which Sweden SEK 260.3 million, Denmark SEK 212.9 million, United Kingdom SEK 355.1 million, Germany SEK 158.8 million, United States SEK 1,175.9 million and other countries SEK 1.4 million. Corporate includes EBITDA for the parent company in the amount of SEK -24.2 million.

Group operations are divided into operating segments based on which parts of operations are monitored by executive management. Sinch's executive management monitors the EBITDA that the segment generates. Each operating segment has a managing director who is responsible for day-to-day operations and who regularly reports the outcomes of the operating segment's performance to executive management.

Directly attributable items have been included in operating profit or loss for the segment. Acquisition costs, restructuring costs, integration costs and other non-regularly recurring items are not allocated to the Group's operating segments. Assets and liabilities are not monitored by executive management broken down by segment. Non-current assets include intangible assets and property, plant and equipment.

From 1 January 2019, the Group's operating segments are Messaging, Voice and Video and Operators. Vehicle was previously a separate segment, but as of 1 January 2019 included in Messaging. Earlier periods have been restated.

- Revenues in Messaging consist of fees for handling messages and executing and handling of personalized and dynamic video and MMS messages for enterprises. The costs consist mainly of fees to telecom operators, advertising costs, and payroll.
- Voice and Video's revenues consist mainly of fees for handling voice and video communications. The costs consist mainly of fees to telecom operators and payroll.
- Revenues within Operators consist mainly of software licenses including upgrades and support fees. The costs consist mainly of payroll.
- Corporate consists of the parent company and unallocated items.

Sales within and between the operating segments of the Group are transacted on market terms.

The Group has one customer (none in 2018) that singlehandedly contributed 10 percent or more to the Group's revenue. The customer is reported in the Messaging segment.

NOTE 3.

Revenue from contracts with customers

2019	Messaging	Voice and Video	Operators	Group
External net sales distributed by country/region				
Sweden	325,566	12,278	32,200	370,044
France	455,186	500	–	455,686
United Kingdom	711,074	5,458	4,233	720,765
Germany	363,482	7,800	2,696	373,978
Other EU countries	458,720	86,104	53,677	598,501
United States	1,745,821	61,161	2,636	1,809,619
Rest of the world	559,902	75,154	71,905	706,961
Total	4,619,750	248,456	167,346	5,035,553
External net sales distributed by products and services				
Messaging services	4,499,263	248,456	–	4,747,718
Initial software licenses and upgrades	–	–	64,520	64,520
Hardware	–	–	–	0
Support	6,160	–	102,826	108,987
Other	114,327	–	–	114,327
Total	4,619,750	248,456	167,346	5,035,553
Point in time of revenue recognition				
Over time	6,160	–	167,346	173,507
At a specific date	4,613,590	248,456	–	4,862,046
Total	4,619,750	248,456	167,346	5,035,553
2018				
	Messaging	Voice and Video	Operators	Group
External net sales distributed by country/region				
Sweden	232,026	14,989	31,974	278,989
France	466,375	186	–	466,561
United Kingdom	603,149	2,846	1,787	607,782
Germany	363,415	1,329	3,523	368,267
Other EU countries	508,288	18,439	40,437	567,164
United States	1,100,850	39,480	2,219	1,142,549
Rest of the world	469,986	13,774	71,571	555,331
Total	3,744,089	91,043	151,511	3,986,643
External net sales distributed by products and services				
Messaging services	3,730,521	91,043	–	3,821,564
Initial software licenses and upgrades	816	–	43,946	44,762
Hardware	–	–	8	8
Support	5,748	–	107,545	113,293
Other	7,004	–	12	7,016
Total	3,744,089	91,043	151,511	3,986,643
Point in time of revenue recognition				
Over time	1,429	–	39,194	40,623
At a specific date	3,742,660	91,043	112,317	3,946,020
Total	3,744,089	91,043	151,511	3,986,643

REVENUE-RELATED CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets	Group	
	31 Dec 2019	31 Dec 2018
Accrued income	93,216	64,920
Impairment reserve	-498	-260
Total contract assets	92,718	64,660

Contract liabilities/Advance payments from customers	Group	
	2019	2018
Balance at opening date	26,424	22,073
Through acquisitions of group companies	-	-
Revenue reported as attributable to contract liabilities that existed at the beginning of the year	-25,287	-21,038
Payment from customers for performance obligations not satisfied at year-end	24,350	24,739
Translation differences	990	650
Balance on the closing date	26,478	26,424

NOTE 4.

Other operating income and other operating expenses

Other operating expenses	Group		Parent company	
	2019	2018	2019	2018
Exchange rate gains	100,052	65,707	223	90
Recovered previously impaired accounts receivable	-	1	-	-
Adjustment of earnout liability, Sinch Mobile AB*	-	42,018	-	-
Other	3,079	1,913	1	-
Total	103,131	109,639	224	90

* The purchase agreement for Sinch Mobile AB also included a possible earnout based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the earnout liability was adjusted.

Other operating expenses	Group		Parent company	
	2019	2018	2019	2018
Exchange rate losses	-103,170	-79,138	-427	-114
Confirmed customer losses	-7,306	-3,351	-	-
Provision for doubtful receivables	-3,460	1,418	-	-
Total	-113,936	-81,071	-427	-114

NOTE 5.

Auditor's fees

	Group		Parent company	
	2019	2018	2019	2018
Statutory audit services				
Deloitte	2,934	3,543	554	578
Other audit firms	415	266	-	-
Audit-related services				
Deloitte	202	96	169	96
Other audit firms	-	-	-	-
Tax services				
Deloitte	-	-	-	-
Other audit firms	-	-	-	-
Other services				
Deloitte	-	864	-	40
Other audit firms	295	126	-	-
Total	3,847	4,895	723	714

OTHER SERVICES, DELOITTE

Fees related to due diligence in connection with acquisitions amount to SEK – thousand (824) and are recognized in profit or loss as acquisition costs.

NOTE 6.

Other external expenses

Other external expenses	Group		Parent company	
	2019	2018	2019	2018
Acquisition costs	-15,079	-9,433	-	-
Restructuring costs	-	8,884	-	-
Integration costs	-2,957	-27,174	-	-
Capital loss, sale of mobile payments business	-	-8,125	-	-
Other external costs	-310,712	-244,473	-35,852	-37,069
Total	-328,748	-280,321	-35,852	-37,069

A restructuring reserve for employee benefits expense was reversed in 2018 in the amount of SEK 8,884 thousand because more people than estimated were given the opportunity to take on other roles within the Group and continue their employment.

NOTE 7.

Employees, employee benefits expense and compensation to senior management personnel

	Group		Parent company	
	2019	2018	2019	2018
Salaries and other compensation				
Salaries and other compensation	389,225	308,812	16,548	11,910
(of which variable pay)	41,240	37,148	1,911	398
Other benefits	4,901	3,131	3,926	–
Pension expenses	29,843	21,375	3,239	1,966
Other social security expenses	90,279	60,043	5,425	3,950
Total	514,247	393,362	29,138	17,826

2019						
Compensation to senior management personnel - Group	Base pay, fee	Variable compensation	Other benefits	Pension expenses	Other social security expenses	Total
Erik Fröberg, Chairman*	730	–	–	–	229	959
Bridget Cosgrave, director*	300	–	–	–	94	394
Renée Robinson Strömberg, director*	320	–	–	–	101	421
Johan Stuart, director*	380	–	–	–	119	499
Björn Zethraeus, director*	687	–	5	92	238	1,022
CEO Oscar Werner, Jan-Oct*	1,940	600	3,869	626	950	7,985
CEO Oscar Werner, Nov-Dec	814	–	132	–	78	1,024
Other senior management personnel (5 individuals, of whom 3 for part of the year)*	6,518	635	14	1,502	2,612	11,281
Other senior management personnel (6 individuals, of whom 2 for part of the year)	6,387	867	380	1,029	2,119	10,783
Total senior management personnel	18,076	2,103	4,400	3,249	6,541	34,369

*Parent company

2018						
Compensation to senior management personnel - Group	Base pay, fee	Variable compensation	Other benefits	Pension expenses	Other social security expenses	Total
Erik Fröberg, Chairman*	590	–	–	–	185	775
Kjell Arvidsson, director*	290	–	–	–	99	389
Bridget Cosgrave, director*	250	–	–	–	79	329
Renée Robinson Strömberg, director*	270	–	–	–	85	355
Johan Stuart, director*	330	–	–	–	104	434
Björn Zethraeus, director*	701	–	–	99	244	1,044
Johan Hedberg, CEO, Jan-Aug	901	–	1,035	–	180	2,117
Oscar Werner, CEO, Sep-Dec*	720	300	–	163	360	1,543
Other senior management personnel (3 individuals, of whom 2 for part of the year)*	3,267	499	–	629	1,336	5,731
Other senior management personnel (5 individuals, of whom 1 for part of the year)	5,749	580	121	1,140	2,175	9,765
Total senior management personnel	13,067	1,379	1,156	2,031	4,847	22,482

*Parent company

Compensation to senior management personnel - Group

BOARD OF DIRECTORS

As resolved by the 2019 annual general meeting, directors' fees are paid as follows: SEK 300 thousand to non-executive directors; SEK 650 thousand to the Chairman of the Board; SEK 40 thousand to members of the Audit Committee; SEK 80 thousand to the Chairman of the Audit Committee; SEK 20 thousand to members of the Compensation Committee and SEK 40 thousand to the Chairman of the Compensation Committee. Executive directors receive base pay in their capacity as senior management personnel.

CHIEF EXECUTIVE OFFICER

In accordance with the guidelines adopted for 2019, the CEO is entitled to fixed pay, variable pay and other compensation. In accordance with the adopted guidelines, variable pay is capped at 30 percent of fixed pay. In connection with the appointment of Oscar Werner in 2018, the board of directors exercised its option to depart from these guidelines during the first year of employment, when variable pay will be capped at 42 percent of fixed pay and thereafter revert to 30 percent. A six-months' period of notice of termination or resignation applies between the company and the CEO. Upon termination no severance is paid. Other benefits consist of health insurance and reimbursement of additional costs related to relocation to the United States.

OTHER SENIOR MANAGEMENT PERSONNEL

In addition to CEO Oscar Werner and director Björn Zethraeus, executive management in 2019 included Johan Hedberg, Eva Lessing, Thomas Heath, Robert Gerstmann, Anders Olin, Jonas Lindeborg, Roshan Saldanha (from March -19), Jonathan Bean (from April -19) and Vikram Khandpur (from December -19). Odd Bolin was part of executive management through February -19 and Johan Rosendahl through March -19.

In addition to CEO Johan Hedberg (through August -18), CEO Oscar Werner (from September -18) and director Björn Zethraeus, executive management in 2018 included Johan Hedberg (from September -18), Odd Bolin, Lena Oldberg (through October -18), Thomas Heath (from May -18), Robert Gerstmann, Anders Olin, Jonas Lindeborg and Johan Rosendahl.

Other senior management personnel are entitled to fixed pay, variable pay and other benefits. Variable pay is based on business targets and, in accordance with the guidelines adopted capped at 30 percent of fixed pay. Other benefits consist of health insurance and company cars.

PENSIONS

The age of retirement for the CEO and other senior management personnel is 65. Pension premiums for the CEO and other senior management personnel reflect customary conditions generally applicable to executives in comparable positions with other companies and are based on defined contribution pension plans. Pension benefits are calculated upon base pay only. There are no commitments to pension benefits for external directors.

Incentive program LTI 2019

Under the incentive program adopted by the AGM on 17 May 2019 326,000 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2019 is 510,000. The program is divided into three series, with exercise periods of 22 June–22 September 2022, 22 March–22 June 2023 and 21 March–21 June 2024. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 14.98 at the first grant date and SEK 21.61 at the second grant date. The exercise price is SEK 174.10 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 14.98 and SEK 21.61 respectively per warrant, through which Sinch has realized SEK 3.3 million in equity. These participants received their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants.

Participants in the US and the UK were granted their warrants against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch during the vesting period and that Sinch's earnings per share for the last three years of the term of the warrant program must have increased by a minimum of 10 percent per year to qualify to subscribe for shares.

The total cost of the warrant program is expected to be approximately SEK 2.7 million distributed across the term of the program, based on a share price of SEK 190 per share.

Among senior executives, Eva Lessing, Roshan Saldanha, Jonathan Bean and Vikram Khandpur were invested to participate in the incentive program. These individuals have respectively subscribed for 13,500, 50,000, 10,000 and 100,000 warrants each. The warrants were granted in June and November 2019.

Incentive program LTI 2018

Under the incentive program adopted by the AGM on 18 May 2018 1,306,600 warrants have been subscribed for by senior executives and key employees within Sinch. The program is divided into three series, with exercise periods of 22 June–22 September 2021, 22 March–22 June 2022 and 2023. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 8.03 at the first grant date and SEK 23.09 at the second grant date. The exercise price is SEK 91.30 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 8.03 and SEK 23.09 respectively per warrant, through which Sinch has realized SEK 10.4 million in equity. These participants received their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants. The company repurchased 22,500 warrants in 2018 and 2019.

Participants in the US and the UK were granted their warrants

against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch during the vesting period and that Sinch's earnings per share for the last three years of the term of the warrant program must have increased by a minimum of 10 percent per year to qualify to subscribe for shares.

The total cost of the warrant program is expected to be approximately SEK 1 million distributed across the term of the program, based on a share price of SEK 63.50 per share.

The senior management personnel invited to participate in the incentive program were Oscar Werner, Lena Oldberg, Thomas Heath, Anders Olin, Johan Rosendahl and Jonas Lindeborg. These individuals have respectively subscribed for 500,000, 10,000, 100,000, 100,000, 14,000 and 14,000 warrants each. The warrants were allotted in October 2018. Eva Lessing, Roshan Saldanha and Jonathan Bean were subsequently invited to participate in the incentive program and respectively subscribed for 4,320, 50,000 and 20,000 warrants. The warrants were granted in the period of January-March 2019.

Incentive program LTI 2016

Under the incentive program decided by the extraordinary general meeting held 5 December 2016, 1,205,700 warrants have been subscribed for by senior management personnel and key employees within Sinch. The program is divided into three series, with exercise periods of 16 January-16 April 2020, 2021 and 2022, respectively. All participants have been granted one third of their warrants in each series. The average fair value per warrant was SEK 9.56 at grant date. The exercise price is SEK 127.67 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 9.56 per warrant, through which Sinch has realized SEK 7.5 million in equity. These participants received their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants. The company repurchased 109,200 warrants in 2017-2019.

Participants in the US and the UK were granted their warrants against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch during the vesting period and that Sinch's earnings per share must have increased by a minimum of 10 percent per year to qualify to subscribe for shares. The total cost of the warrant program is expected to be approximately SEK 5 million distributed across the term of the program, based on a share price of SEK 110 per share.

The senior management personnel invited to participate in the incentive program were Odd Bolin, Lena Oldberg, Johan Rosendahl, Neil Warner and Jonas Lindeborg. These individuals have respectively subscribed for 50,000, 20,000, 60,000, 45,000 and 50,000 warrants each. The warrants were allotted in January 2017.

Payroll costs for vested warrants are included in profit and loss for 2019 in the amount of SEK -0.8 million (-0.9), with a corresponding increase in equity. Social security expenses are included in the amount of SEK -4.8 million (-0.1), recognized as a provision in the balance sheet. The potential dilutive effect upon exercise of all employee warrants in all programs is 4.7 percent.

Average number of employees	2019	Of whom men	2018	Of whom men
SE Sweden	235	196	192	164
AU Australia	6	4	6	4
BR Brazil	7	1	-	-
CA Canada	5	3	4	2
DE Germany	11	6	10	5
DK Denmark	19	16	19	16
ES Spain	4	4	3	3
FR France	8	6	3	2
GB Great Britain	51	36	57	40
IN India	1	-	1	-
IQ Iraq	1	1	1	1
KW Kuwait	-	-	1	-
MY Malaysia	1	-	-	-
PL Poland	2	2	-	-
SG Singapore	6	5	4	4
TR Turkey	1	1	3	3
UAE United Arab Emirates	13	12	15	13
US United States	87	59	70	49
Total	457	354	385	306
Of which, parent company (Sweden)	10	7	11	7

	31 Dec 2019		31 Dec 2018	
Senior management personnel	Number on reporting date	Of whom men	Number on reporting date	Of whom men
Group				
Directors	5	3	6	4
Other senior management personnel	11	10	8	7
Parent company				
Directors	5	3	6	4
Other senior management personnel	5	4	4	3

NOTE 8.

Financial income and expenses

Group	2019	2018
Interest income	3,735	2,666
Exchange rate gains	34,210	16,549
Other financial income	3,952	3,342
Financial income	41,897	22,556
Interest expenses, leases	-1,935	-
Other interest expenses	-26,852	-22,367
Reversal of discount effect on provision for contingent consideration	-	-13,406
Exchange rate losses	-23,270	-1,007
Other financial expenses	-6,451	-2,286
Finance expenses	-58,507	-39,066
Net financial income and expenses	-16,611	-16,510

Parent company	2019	2018
Interest income	1,045	280
Interest income, group companies	142,177	17,423
Exchange rate gains	56,994	108,057
Interest income and similar profit items	200,216	125,760
Interest expenses, group companies	-8,345	-3,450
Other interest expenses	-26,510	-21,890
Exchange rate losses	-23,262	-27,565
Other financial expenses	-4,321	-1,753
Other interest income and similar profit items	-62,438	-54,657

NOTE 9.

Appropriations

Parent company	2019	2018
Provision to tax allocation reserve	-19,649	-
Accelerated depreciation/amortization	-179	-247
Group contribution provided	-5,853	-69,927
Group contribution received	-	24,600
Total	-25,680	-45,574

NOTE 10.

Taxes

	Group		Parent company	
Tax in profit and loss	2019	2018	2019	2018
Current tax	-80,875	-38,170	-12,872	-9
Current tax from preceding year	-2,949	-2,928	-	-
Deferred tax related to timing differences	22,699	33,086	-1,352	-
Deferred tax on loss carry-forwards (LCFW)	-19,687	-9,188	-	-
Deferred tax on changed tax rate	249	-4,562	-	-
Total	-80,563	-21,762	-14,225	-9

Current tax recognized directly against equity amounts to SEK 258 thousand (147) and refers to tax on issue costs.

Deferred tax recognized in other comprehensive income amounts to SEK 1,229 thousand (1,023) and refers to the tax portion of hedge accounted amounts arising from net investments in subsidiaries.

	Group		Parent company	
Reconciliation of tax expense for the year	2019	2018	2019	2018
Profit before tax	355,032	201,298	76,263	-379
Tax calculated according to the Swedish tax rate, 21.4% (22)	-75,977	-44,286	-16,320	83
Current and deferred tax from previous years	-1,227	19,859	-	-
Effect of changed tax rates	1,626	-1,766	-	-
Tax effect of non-deductible expenses	-5,749	-1,704	-69	-87
Tax effect of non-taxable revenue	2,733	7,720	-	-
Tax effect of utilized negative interest net	-	-	2,172	-
Tax on standard interest rate, tax allocation reserves	-54	-43	-7	-5
Tax effect of non-capitalized LCFW	-823	-459	-	-
Tax effect of utilized non-capitalized LCFW	2,872	634	-	-
Withholding taxes	-1,186	-273	-	-
Effect of foreign tax rates	-2,779	-1,444	-	-
Tax on profit for the year in income statement	-80,563	-21,762	-14,225	-9

TAX RATE

The parent company's current tax rate is 21.4 percent (22). The Group's effective tax rate is 22.7 percent (10.8).

	Group	
	31 Dec 2019	31 Dec 2018
Deferred tax assets		
LCFW	168,666	136,780
Depreciation and amortization	46,504	41,785
Warrants and derivatives	7,973	7,913
Provisions	14,504	5,439
Total deferred tax assets	237,648	191,917
Deferred tax liabilities		
Untaxed reserves	-17,382	-14,135
Warrants and derivatives	-1,352	-
Proprietary software	-31,524	-26,687
Customer relationships	-186,337	-153,026
Operator relationships	-26,539	-24,383
Trademarks	-303	-24
Provisions	-6,896	-104
Total deferred tax liabilities	-270,334	-218,360
Net deferred tax	-32,686	-26,443

Timing differences exist when the carrying amount and the amount attributed to the asset or liability for tax differ. Timing differences relating to the items above have resulted in deferred tax assets and deferred tax liabilities.

	Group 2019					
	Opening balance at 1 Jan 2019	Recognized in profit or loss	Recognized in other comprehensive income	Reclassifications	Through acquisition or disposal	Closing balance at 31 Dec 2019
Change in deferred tax						
Non-current assets	-162,906	25,746	-519	-	-62,339	-200,018
Provisions	5,458	1,998	152	-	-	7,608
LCFW	141,265	-19,687	3,259	-	49,437	174,274
Untaxed reserves	-14,135	-3,754	507	-	-	-17,383
Warrants and derivatives	7,913	-1,292	-	-	-	6,621
Changed tax rate	-4,038	249	-	-	-	-3,789
Total	-26,443	3,261	3,399	0	-12,902	-32,686

	Group 2018					
	Opening balance at 1 Jan 2018	Recognized in profit or loss	Recognized in other comprehensive income	Reclassifications	Through acquisition or disposal	Closing balance at 31 Dec 2018
Change in deferred tax						
Non-current assets	-181,674	38,194	-12,019	30,528	-37,934	-162,906
Provisions	7,557	-3,094	995	-	-	5,458
LCFW	173,419	-9,188	7,563	-30,528	-	141,265
Untaxed reserves	-12,642	-1,493	-	-	-	-14,135
Warrants and derivatives	8,503	-521	-69	-	-	7,913
Changed tax rate	-	-4,562	524	-	-	-4,038
Total	-4,837	19,336	-3,007	0	-37,934	-26,443

In the tables above, tax assets are reported with (+) and tax liabilities with (-).

The following are included in the balance sheet	Group	
	31 Dec 2019	31 Dec 2018
Deferred tax asset utilized after more than 12 months	194,955	162,024
Deferred tax liability settled after more than 12 months	-204,874	-192,339

Loss carry-forwards - Group

Deferred tax assets relating to loss carry-forwards are recognized to the extent it is probable they can be used against taxable income. The final years these loss carry-forwards can be used are shown in the table.

Maturity loss carry-forwards	31 Dec 2019		31 Dec 2018	
	Loss carry- forwards	Tax effect	Loss carry- forwards	Tax effect
2020	14,307	3,004	13,775	2,893
2021	14,307	3,004	13,775	2,893
2022	14,307	3,004	13,775	2,893
2023	14,307	3,004	13,775	2,893
2024	14,307	3,004	13,775	2,893
2025	14,307	3,004	13,775	2,893
2026	14,307	3,004	13,775	2,893
2027	14,307	3,004	13,775	2,893
2028	14,307	3,004	13,775	2,893
2029	14,307	3,004	13,775	2,893
Maturity after 2029	86,136	18,089	96,736	20,312
Unlimited useful life	523,714	120,534	482,476	87,538
Total	752,916	168,666	716,962	136,780

Loss carry-forward divided by country	31 Dec 2019		31 Dec 2018	
	Loss carry- forwards	Tax effect	Loss carry- forwards	Tax effect
Brazil	119,258	40,548	-	-
France	5,183	1,451	-	-
Spain	10,744	2,686	10,581	2,645
Great Britain	275,194	52,287	342,162	58,168
Sweden	113,335	23,562	129,733	26,725
USA	229,202	48,132	234,487	49,242
Total	752,916	168,666	716,963	136,780

Non-capitalized loss carry-forwards	31 Dec 2019		31 Dec 2018	
	Loss carry- forwards	Tax effect	Loss carry- forwards	Tax effect
Brazil	633,907	215,528	-	-
Norway	4,187	921	4,425	1,062
Total	638,094	216,449	4,425	1,062

The above loss carry-forwards with unlimited useful life have not been capitalized as uncertainty prevails as to whether sufficient future taxable profits will be generated.

NOTE 11.

Earnings per share

Basic earnings per share	2019	2018
Profit for the year attributable to owners of the parent	274,614	179,528
Weighted average number of ordinary shares outstanding, before dilution	53,602,089	53,602,089
Basic earnings per share, SEK	5.12	3.35
Diluted earnings per share	2019	2018
Profit for the year attributable to owners of the parent	274,614	179,528
Weighted average number of ordinary shares outstanding, before dilution	53,602,089	53,602,089
Weighted average warrants outstanding	632,186	-
Weighted average shares outstanding, after dilution	54,234,275	53,602,089
Diluted earnings per share, SEK	5.06	3.35

NOTE 12.

Goodwill

Group	2019	2018
Cost on the opening date	1,234,490	975,509
Through acquisitions of group companies, see Note 31	495,370	274,232
Translation differences	36,891	-15,251
Accumulated cost on the closing date	1,766,751	1,234,490
Impairments on the opening date	-12,650	-12,126
Translation differences	-195	-524
Accumulated impairments on the closing date	-12,845	-12,650
Carrying amount	1,753,906	1,221,841

Goodwill per cash-generating unit	2019	2018
Messaging, excluding acquisitions during the year	1,165,266	839,737
Messaging, Unwire	-	127,192
Messaging, Vehicle	-	150,206
Messaging, myElefant	178,731	-
Messaging, TWW	305,204	-
Operators	13,785	13,785
Voice and Video	90,920	90,920
Total	1,753,906	1,221,841

Impairment testing of goodwill

Goodwill is tested for impairment annually or when there are indications that an impairment loss has occurred. The recoverable amount for a cash-generating unit is determined based on estimated value in use. These estimates are based on cash flow projections, which are based on financial budgets approved by the management covering a five-year period. In the assessment of future cash flows assumptions are made, primarily concerning sales growth, operating margin, and discount rate (WACC). The estimated growth rate and the forecast operating margin are based on the company's budgets and forecasts for each unit.

The growth rate after the forecast period coincides with the Group's long-term assumptions about inflation and long-term market growth. The discount rate reflects specific country risks associated with the asset. The company has determined that all cash-generating units can mainly be categorized as companies in a growth phase but with strong and stable cash flows based on existing business relationships. All units are characterized by their continuous development of new products and services that complement the current business.

Due to the application of IFRS 16, the impairment tests have been amended to include the right of use assets in the reported value of the cash generating unit, the leasing liabilities are not included.

Cash-generating unit	Discount rate before tax		Long-term growth rate	
	2019	2018	2019	2018
Messaging, excluding acquisitions during the year	8.0%	8.1%	2%	2%
Messaging, Unwire	-	13.9%	-	2%
Messaging, Vehicle	-	19.8%	-	2%
Messaging, myElefant	19.6%	-	2%	-
Messaging, TWW	17.2%	-	2%	-
Operators	8.6%	8.1%	2%	2%
Voice and Video	7.9%	8.1%	2%	2%

Sensitivity analysis

The recoverable amount exceeds the carrying amount for all cash-generating units.

An increase of the discount rate by 1 percentage point, a reduction in the EBITDA margin by 1 percentage point, or a reduction in sales growth by 1 percentage point during the forecast period will not entail a need for impairment in any of the cash-generating units.

myElefant and TWW were acquired in Q4 2019. As a short period of time and no events have occurred that would indicate a need for impairment, no impairment testing has been performed.

NOTE 13.

Other non-current intangible assets

Group 2019	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	197,044	18,168	888,039	130,272	1,449	1,234,972
Capitalized expenditure for the year	38,560	119	-	-	-	38,679
Through acquisitions of group companies	28,702	8,689	153,553	12,272	1,396	204,612
Reclassifications	-	1,757	-	-	-	1,757
Disposals/retirements	-3,233	-	-	-	-	-3,233
Translation differences	1,898	204	26,473	7,279	-32	35,823
Accumulated cost on the closing date	262,972	28,937	1,068,066	149,824	2,812	1,512,610
Amortization on the opening date	-61,223	-15,974	-205,399	-27,385	-1,334	-311,316
Amortization for the year	-41,945	-652	-92,877	-14,199	-388	-150,061
Through acquisitions of group companies	-	-7,545	-	-	-	-7,545
Reclassifications	-	-1,757	-	-	-	-1,757
Disposals/retirements	3,233	-	-	-	-	3,233
Translation differences	-342	-168	-5,786	-1,416	-7	-7,720
Accumulated amortization on the closing date	-100,278	-26,096	-304,062	-43,000	-1,729	-475,165
Carrying amount	162,694	2,841	764,003	106,824	1,083	1,037,444

Group 2018	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	146,841	18,383	683,435	121,175	1,000	970,834
Capitalized expenditure for the year	21,728	85	-	-	-	21,813
Through acquisitions of group companies	40,259	3,230	150,881	3,884	448	198,702
Reclassifications	-	-	-	-	-	0
Disposals/retirements	-12,380	-4,565	-	-	-	-16,946
Translation differences	595	1,036	53,723	5,214	1	60,568
Accumulated cost on the closing date	197,044	18,168	888,039	130,272	1,449	1,234,972
Amortization on the opening date	-34,583	-14,459	-107,574	-12,957	-1,000	-170,574
Amortization for the year	-31,997	-2,293	-87,049	-13,747	-324	-135,410
Through acquisitions of group companies	-	-1,218	-	-	-	-1,218
Reclassifications	-	-6	-	-	-	-6
Disposals/retirements	5,470	2,919	-	-	-	8,390
Translation differences	-114	-916,853	-10,777	-681	-10	-12,498
Accumulated amortization on the closing date	-61,223	-15,974	-205,400	-27,385	-1,334	-311,316
Carrying amount	135,821	2,194	682,640	102,887	114	923,656

Parent company		
Licenses	2019	2018
Cost on the opening date	372	372
Purchases for the year	-	-
Accumulated cost on the closing date	372	372
Amortization on the opening date	-248	-
Amortization for the year	-124	-124
Accumulated amortization on the closing date	-372	-124
Carrying amount	0	248

NOTE 14.

Property, plant, and equipment

	Group		Parent company	
	2019	2018	2019	2018
Computers and equipment				
Cost on the opening date	74,033	78,098	8,384	6,448
Purchases for the year	17,347	6,639	2,175	1,461
Through acquisitions of group companies	11,973	4,973	-	-
Reclassifications	-1,757	-224	-	475
Disposals/retirements	-9,132	-16,915	-	-
Translation differences	680	1,461	-	-
Accumulated cost on the closing date	93,145	74,033	10,559	8,384
Depreciation on the opening date	-55,136	-55,026	-1,907	-193
Depreciation for the year	-9,041	-9,545	-1,832	-1,611
Through acquisitions of group companies	-9,451	-4,553	-	-
Reclassifications	1,757	-1,146	-	-103
Disposals/retirements	9,127	16,221	-	-
Translation differences	-725	-1,087	-	-
Accumulated depreciation on the closing date	-63,469	-55,136	-3,739	-1,907
Carrying amount	29,676	18,897	6,820	6,477

NOTE 15.

Leases

	Group		Total ROU assets
	Premises	Other	
2019			
Cost on the opening date	-	-	-
Adjusted balance at opening date, transition to IFRS 16	88,448	372	88,820
Additional ROU	2,852	-	2,852
Through acquisitions of group companies	7,934	-	7,934
Translation differences	1,558	-	1,558
Accumulated cost on the closing date	100,791	372	101,163
Amortization on the opening date	-	-	0
Amortization for the year	-24,512	-152	-24,665
Translation differences	68	-	68
Accumulated amortization on the closing date	-24,444	-152	-24,596
Carrying amount	76,347	220	76,567

LEASE LIABILITIES

Lease liabilities at year-end amounted to SEK 70,021 thousand. See Note 29 for an aging report of remaining contractual obligations as of 31 December 2019.

LEASE EXPENSES

Group	2019
Depreciation on ROU assets	-24,665
Interest expenses, lease liabilities	-1,935
Variable charges not included in lease liability	-1,206
Income from subletting of premises	3,614
Cost of short-term leases	-7,202
Cost of low-value leases	-368
Total	-31,762

CASH OUTFLOW

Group	2019
Amortization, lease liability	-25,772
Interest expenses, lease liabilities	-1,935
Variable charges not included in lease liability	-1,206
Income from subletting of premises	3,614
Cost of short-term leases	-7,202
Cost of low-value leases	-368
Total	-32,869

Future obligations for short-term leases and variable charges amounts to SEK 9,935 thousand.

LEASES 2018 (IAS 17)

	Group 31 Dec 2018	Parent company 31 Dec 2018
Operating leases		
Payable < 1 year	22,934	9,407
Payable 1-5 years	65,235	29,314
Payable > 5 years	10,744	-
Total	98,913	38,721

The nominal value of future minimum lease payments referring to non-cancellable operating leases is distributed as shown in the table above.

In all material respects, operating leases consist of rental contracts for premises and a minor portion of office equipment.

	Group 2018	Parent company 2018
Operating leases in profit for the year		
Lease expenses	30,054	10,947
Variable payments	135	-
Lease income	523	-
Total	29,666	10,947

	Group & Parent, 31 Dec 2018		
Finance leases	Minimum lease payments	Interest	Principal
Payable < 1 year	175	24	151
Payable 1-5 years	-	-	-
Payable > 5 years	-	-	-
Total	175	24	151

Non-cancellable finance leases mature as shown above. Assets under finance leases consist of office furniture.

	Group 2018	Parent company 2018
Finance leases in profit for the year		
Variable charges included in profit or loss for the year	16	16

NOTE 16.

Financial assets

Non-current receivables	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Non-current VAT receivable	3,177	3,129	-	-
Deposits	7,787	9,899	-	-
Non-current receivables, group companies	-	-	2,442,618	1,625,560
Non-current accounts receivable	-	1,112	-	-
Other non-current receivables	1,022	964	-	-
Total	11,987	15,104	2,442,618	1,625,560

Investments in group companies	Parent company	
	31 Dec 2019	31 Dec 2018
Cost on the opening date	501,699	530,230
Acquired subsidiaries	50	-
Acquisition costs	-	80
Adjustment of earnout, Sinch Mobile AB	-	-28,611
Accumulated cost on the closing date	501,749	501,699

Sinch Group	Corporate ID	Registered office	% of equity and votes		Carrying amount	
			31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Sinch Sweden AB	556747-5495	Stockholm	100	100	249,950	249,950
CLX Networks South Africa (PTY) Ltd	2013/128948/07	South Africa	100	100	-	-
CLX Networks Nigeria Limited**	1210794	Nigeria	-	99.99	-	-
CLX Networks Italy S.R.L.***	4265200230	Italy	100	100	-	-
Sinch Communications Canada Inc.	924-4933	Canada	100	100	-	-
CLX Networks Singapore PTE LTD	2014-23573-W	Singapore	100	100	-	-
Sinch Turkey Telekomünikasyon LTD. STI.	866349	Turkey	51	51	-	-
Sinch Italy S.R.L.	04491540961	Italy	100	100	-	-
Sinch France S.R.L.	448324285	France	100	100	-	-
Convaneer US LLC**	4567684	United States	-	100	-	-
Sinch Operator Software AB	556353-1333	Stockholm	100	100	100,000	100,000
Sinch Poland Sp z o.o.	0000643951	Poland	100	100	-	-
Sinch Holding AB	559061-2791	Stockholm	100	100	50	50
Sinch Germany GmbH	HRB 202010	Germany	100	100	-	-
CLX Networks Australia PTY Ltd	608286979	Australia	100	100	-	-
Sinch Telecomunicaciones Spain SL	B82966078	Spain	100	100	-	-
Mblox Asia Pacific PTE LTD	200007936G	Singapore	100	100	-	-
myElefant SAS	524353299	France	100	-	-	-
Sinch UK Ltd	03049312	Great Britain	100	100	-	-
Nextgen Mobile Ltd**	04775987	Great Britain	-	100	-	-
Mblox SA (PTY) Ltd	2012/217923/07	South Africa	100	100	-	-
Sinch U.S. Holding Inc.	20163012208	United States	100	100	-	-
Sinch America, Inc.	77220277010	United States	100	100	-	-
Bitmo CA US Inc.**	C2180875	United States	-	100	-	-
Mblox Brazil**	16.462.330	Brazil	100	100	-	-
Mblox Malaysia Sdn Bhd	870260-U	Malaysia	-	100	-	-
Sinch Engage LLC	46-0553309	United States	100	100	-	-
Dialogue Group Ltd	06766972	Great Britain	100	100	-	-
Dialogue Communications Ltd	3042634	Great Britain	100	100	-	-
Sinch Australia PTY Ltd	812,155,238	Australia	100	100	-	-
Dialogue Malta Ltd	C66149	Malta	100	100	-	-
Sinch Singapore PTE LTD	2013-14618-E	Singapore	100	100	-	-
Sinch Denmark ApS	26361710	Denmark	100	100	-	-
Sinch Denmark AB	556484-7918	Stockholm	100	100	-	-
CLX Communications Denmark AS	990454108	Norway	100	100	-	-
Sinch Latin America Holding AB	559212-5487	Stockholm	100	-	50	-
TWW do Brasil S.A.	01.126.946/0001/-61	Brazil	100	-	-	-
Sinch Mobile AB	556969-5397	Stockholm	100	100	151,699	151,699
Sinch Incitament AB*	559068-5441	Stockholm	-	100	-	-
Sinch Mobile Inc.***	37-1539008	United States	100	100	-	-
Carrying amount in the parent company					501,749	501,699

*The company merged with Sinch Mobile AB effective 7 November 2019.

**The company was liquidated in 2019.

***The company is in liquidation.

NOTE 17.

Accounts receivable

	Group	
Accounts receivable	31 Dec 2019	31 Dec 2018
Accounts receivable	1,172,627	889,822
Credit loss reserve		
Balance at opening date	-9,931	-10,925
Through acquisitions of group companies	-1,308	-692
Reversals of previous provisions	5,273	8,262
Confirmed customer losses	8,212	3,853
Provisions for the year	-14,955	-10,187
Translation differences	-277	-242
Balance on the closing date	-12,986	-9,931
Net accounts receivable	1,159,641	879,891

The carrying amount for accounts receivable, net after credit loss reserve provision, has been assessed as equal to fair value.

	Group	
Aging report Accounts receivable	31 Dec 2019	31 Dec 2018
Not due	814,074	628,064
Past due 1-30 days	249,724	146,851
Past due 31-60 days	37,438	57,618
Past due 61-90 days	20,703	18,162
Past due >91 days	50,689	39,127
Total	1,172,627	889,822

NOTE 18.

Other current receivables

	Group		Parent company	
Other current receivables	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
VAT receivable	23,081	23,397	777	1,122
Derivatives	6,383	678	6,320	-
VAT receivable, Australia, from sellers of Mblox and Dialogue	9,401	45,048	-	-
Other current receivables	18,394	14,509	-	2
Total	57,259	83,632	7,097	1,124

NOTE 19.

Prepaid expenses and accrued income

	Group		Parent company	
Prepaid expenses and accrued income	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Prepaid rent	589	6,041	3,416	3,410
Prepaid lease charges	441	1,428	94	117
Prepaid insurance premiums	2,374	2,366	1,420	1,583
Prepaid services	11,665	6,451	1,146	308
Prepaid license fees	6,101	5,672	3,115	1,491
Prepaid data communications	5,916	114	40	40
Prepaid traffic costs	10,900	4,344	-	-
Accrued revenue from contracts with customers	93,216	64,660	-	-
Other	5,137	3,286	3,311	128
Total	136,338	94,362	12,542	7,077

NOTE 20.

Equity

Shares and share capital, SEK	Ordinary shares	Share capital
Opening balance at 1 January 2018	53,602,089	5,360,209
Rights issue	-	-
Closing balance at 31 December 2018	53,602,089	5,360,209
Rights issue	-	-
Closing balance at 31 December 2019	53,602,089	5,360,209

At 31 December 2019, authorized share capital comprised 53,602,089 shares. The quotient value of the shares is 0.10 (0.10). All shares are fully paid-in.

Reserves	Translation reserve
Opening balance at 1 January 2018	36,682
Translation differences	-12,903
Hedge accounting, net investment in foreign operations	-6,281
Deferred tax	1,023
Closing balance at 31 December 2018	18,521
Translation differences	61,420
Hedge accounting, net investment in foreign operations	-5,745
Deferred tax	1,229
Closing balance at 31 December 2019	75,425

The translation reserve includes all exchange rate differences that arise upon translation of financial statements in a currency other than SEK, which is the Group's presentation currency. The translation reserve also includes exchange rate differences that arise upon revaluation of liabilities taken up as hedging instruments for a net investment in a foreign operation.

NOTE 21.

Other current and non-current liabilities, interest-bearing

Other non-current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bank loan	536,952	487,211	523,917	487,211
Senior unsecured bonds	744,709	-	744,709	-
Lease liability	48,153	-	16,544	-
Total	1,329,813	487,211	1,285,169	487,211

Other current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bank loan	36,183	98,909	36,183	98,909
Lease liability	21,868	-	10,243	-
Finance leasing	-	128	-	128
Total	58,051	99,037	46,426	99,165

Sinch issued senior unsecured bonds on 19 November 2019 in the total amount of SEK 750 million. The bonds have a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps.

The credit facility that was renegotiated and extended in December 2018 gives Sinch access to a line of credit of SEK 1,500 million provided that the company meets a number of pre-determined contractual conditions. In addition to the line of credit of SEK 1,500 million the overdraft limit was increased to SEK 200 million. The loans accrue three-month interest with STIBOR, CIBOR and LIBOR 3M as the interest base.

Sinch has a granted bank overdraft facility of SEK 200 million (200). As of 31 December 2019, SEK 0 million (0) had been utilized.

NOTE 22.

Other current and non-current liabilities, non-interest-bearing

Other non-current liabilities, non-interest-bearing	Group	
	31 Dec 2019	31 Dec 2018
Earnout, Caleo Technologies AB	5,997	5,997
Earnout, Vehicle Agency LLC	60,561	130,080
Earnout, myElefant	31,301	-
Earnout, TWW	41,859	-
Total	139,717	136,077

Please refer to Note 31 for further disclosures concerning acquisition-related liabilities.

Other current liabilities, non-interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
VAT, withholding taxes	28,997	25,630	2,008	1,612
Derivatives	2,084	4,118	-	-
Earnout, Sinch Mobile AB	-	11,388	-	-
Funds belonging to a third party*	3,936	6,191	-	-
Other current liabilities	1,861	2,949	-5	-
Total	36,878	50,278	2,003	1,612

*The Danish operations provide PSMS services for which payment is received that is subsequently forwarded to a third party.

NOTE 23.

Provisions

Provision for restructuring	Group	
	2019	2018
Balance at opening date	-	11,258
Provisions made during the year	-	-
Amounts used during the year	-	-859
Amounts reversed during the year	-	-8,884
Translation differences	-	-1,515
Balance on the closing date	-	0

Part of the restructuring reserve allocated in 2017 was reversed in 2018 because more people than estimated were given the opportunity to take on other roles within the Group and continue their employment.

Other provisions	Group	
	31 Dec 2019	31 Dec 2018
Provision for VAT, Australian operations	9,401	27,122
Provision for social security expenses, share ownership plan	4,955	146
Other provisions	6,962	451
Total	21,318	27,719

The majority of the increase in other provisions is due to existing provisions in the acquired company TWW.

A provision of SEK 27,122 thousand was made for VAT in 2018, which referred to the Australian operations, where several subsidiaries may have underpaid VAT during the period before 1 April 2016. The majority of this VAT is owed by subsidiaries of the acquired Mblox and Dialogue groups. Sinch determined that it will be possible to recover the VAT from the sellers of these companies, whereupon the corresponding receivable was recognized.

An agreement was reached between Sinch and the sellers of Mblox during 2019, by which 50 percent of the amount will be paid by the sellers and 50 percent of the amount will be expensed. The remaining provision refers to VAT in the Dialogue companies and Sinch remains of the opinion that the amount can be recovered from the sellers. The corresponding receivable remains recognized.

Provisions	Parent company	
	31 Dec 2019	31 Dec 2018
Earnout, Sinch Mobile AB	-	11,388
Total	-	11,388

See Note 31 for further information about contingent consideration (earnouts).

NOTE 24.

Accrued expenses and prepaid income

Accrued expenses and prepaid income	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accrued salaries	32,587	24,879	594	300
Accrued annual leave pay	20,012	17,471	826	944
Accrued social security contributions, including pension	19,330	11,437	471	606
Accrued interest expenses	2,702	428	2,702	428
Accrued external services	27,642	21,351	2,899	803
Accrued traffic costs	476,183	365,257	-	-
Other items	2,467	9,321	61	1,406
Total	580,922	450,143	7,553	4,487

NOTE 25.

Untaxed reserves

Untaxed reserves	Parent company	
	31 Dec 2019	31 Dec 2018
Tax allocation reserves	26,227	6,578
Accelerated depreciation/amortization	2,155	1,976
Total	28,381	8,554

NOTE 26.

Pledged assets

As pledged assets for own debt and provisions	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Shares	-	2,427,687	-	350,000
Corporate mortgages	-	45,000	-	-
Guarantees	8,516	6,538	-	-
Total	8,516	2,479,225	-	350,000

2019: Shares and corporate mortgages are no longer pledged as collateral for credit agreements.

2018: The shares in Sinch Holding AB, Sinch Sweden AB and Sinch Operator Software AB were previously pledged as collateral for company's obligations under credit agreements. The consolidated value of the pledged assets amounted to SEK 2,427.7 million. According to the agreement, the lenders had the right to sell the collateral if an event of default existed and agreement could be reached. The collateral could only be sold if an event of default were still ongoing; that is, it existed when the sale was executed. In addition, corporate mortgages of SEK 45 million were pledged as collateral for the loan agreement.

PARENT COMPANY

Parent company guarantees have been extended to Dialogue Communications Ltd, corporate registration number 03042634 and Dialogue Group Ltd, corporate registration number 06766972. The companies are dormant and are exempt from the audit requirement by reason of the guarantees.

NOTE 27.

Related-party transactions**Group**

Intragroup transactions between the parent company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and disclosures concerning the Group are therefore not provided.

Parent company

Sales to group companies comprise 100 percent of net sales in the parent company. Receivables and liabilities to other group companies are presented in the parent company balance sheet.

Disclosures concerning compensation to senior management personnel are provided in Note 7.

NOTE 28.

Financial assets and liabilities

Group 31 Dec 2019	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Financial assets at fair value					
Derivatives, Level 2, Note 18	-	-	-	6,383	6,383
Financial assets not recognized at fair value					
Deposits paid, Note 16	7,787	-	-	-	7,787
Accounts receivable, Note 17	1,159,641	-	-	-	1,159,641
Accrued revenue from contracts with customers, Note 19	93,216	-	-	-	93,216
Cash and cash equivalents	466,297	-	-	-	466,297
Total financial assets	1,726,941	-	-	6,383	1,733,324
Financial liabilities at fair value					
Derivatives, Level 2, Note 22	-	-	-	2,084	2,084
Earnout, Level 3, Note 22	-	-	139,717	-	139,717
Financial liabilities not recognized at fair value					
Non-current loans payable, Note 21	-	1,281,660	-	-	1,281,660
Current loans payable, Note 21	-	36,183	-	-	36,183
Funds belonging to a third party, Note 22	3,936	-	-	-	3,936
Accrued interest expense, Note 24	-	2,702	-	-	2,702
Accounts payable	481,907	-	-	-	481,907
Total financial liabilities	485,843	1,320,545	139,717	2,084	1,948,189

Group 31 Dec 2018	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Financial assets at fair value					
Derivatives, Level 2, Note 18	-	-	-	678	678
Financial assets not recognized at fair value					
Deposits paid, Note 16	9,899	-	-	-	9,899
Non-current accounts receivable, Note 16	1,112	-	-	-	1,112
Accounts receivable, Note 17	879,891	-	-	-	879,891
Accrued revenue from contracts with customers, Note 19	64,660	-	-	-	64,660
Cash and cash equivalents	180,759	-	-	-	180,759
Total financial assets	1,136,320	-	-	678	1,136,998
Financial liabilities at fair value					
Derivatives, Level 2, Note 22	-	-	-	4,118	4,118
Earnout, Level 3, Notes 22 & 23	-	-	147,465	-	147,465
Financial liabilities not recognized at fair value					
Non-current loans payable, Note 21	-	487,211	-	-	487,211
Current loans payable, Note 21	-	98,909	-	-	98,909
Funds belonging to a third party, Note 22	6,191	-	-	-	6,191
Accrued interest expense, Note 24	-	428	-	-	428
Accounts payable	431,417	-	-	-	431,417
Total financial liabilities	437,608	586,548	147,465	4,118	1,175,739

LEVELS

Financial assets and liabilities measured at fair value in the balance sheet, or where the fair value is disclosed, are classified in one of three levels based on the information used to measure fair value.

Level 1 – Financial instruments whose fair value is determined based on observable (unadjusted) quoted prices in an active market for identical assets or liabilities. A market is considered active if quoted prices from a stock exchange, broker, industry group, pricing service or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

Level 2 – Financial instruments whose fair value is determined using valuation techniques based on other observable market data than quoted prices for the asset or liability included in level 1, either directly (as prices) or indirectly (derived from prices). Examples of observable data in level 2 are:

- Quoted prices on similar assets or liabilities.
- Data upon which a judgment of a price can be based, such as market interest rates and yield curves.

Level 3 – Financial instruments whose fair values are determined using valuation techniques where significant input is based on unobservable data.

Determination of fair value

Sinch uses the following methods and assumptions to determine the fair value of financial instruments recognized.

Derivatives – Foreign currency forward contracts are measured at level 2. The measurement is performed by discounting future cash flows based on the difference between the contractual forward rate and spot rate on the reporting date.

Earnouts – Earnouts referring to the acquisition of shares in subsidiaries are measured at level 3 to the present value of future cash flows based on forecasts of the entities' future performance. A percentage increase in cash flow leads to the corresponding percentage increase in earnout at unchanged discount rate, however, there are maximum earnout amounts, see Note 31.

The carrying amounts of other financial assets and liabilities are considered a good approximation of the fair values due to short maturity or short fixed-interest periods and because the credit margin has not changed.

Group 2019	Financial assets and liabilities measured at amortized cost.	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	-9,254	-	-	6,135	-3,119
Interest income/interest expenses	2,520	-25,637	-	-	-23,118
Exchange rate differences in net financial income/expenses	34,210	-23,270	-	-	10,940
Total	27,476	-48,907	-	6,135	-15,296

Group 2018	Financial assets and liabilities measured at amortized cost.	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	-201	-	-	-13,229	-13,431
Interest income/interest expenses	2,103	-21,805	-13,406	-	-33,108
Exchange rate differences in net financial income/expenses	16,549	-1,007	-	-	15,542
Total	18,451	-22,812	-13,406	-13,229	-30,997

NOTE 29.

Risk exposure and risk management

In the course of its operations, Sinch is exposed to various types of financial risk. Financial risk refers to fluctuations in the company's earnings and cash flow consequent upon changes in exchange rates, interest rates, refinancing risks and credit risks. Sinch aims to minimize the effects of these risks by using derivatives to hedge risk exposure. The frameworks for exposure, management and monitoring of financial risks are set by the board of directors in the finance policy which is revised annually and which specifies the permitted use of derivative instruments. Within the Group, the Treasury Department has the operational responsibility to secure the Group's financing and manage cash liquidity, financial assets and financial liabilities. Through a centralized finance function, economies of scale and synergies are utilized. Compliance with policies and exposure are reviewed on a continuous basis. The Group does not engage in speculative trading in financial instruments.

Liquidity risk and financing risk

Liquidity risk is the risk that the Group might have difficulty performing its obligations associated with financial liabilities. Liquidity planning is used to manage liquidity risk and minimize the cost of financing the Group. The Group policy is to minimize the borrowing requirement by using surplus liquidity in the Group in cash pools. Liquidity risks for the Group are managed centrally within the parent company. Sinch has a granted bank overdraft facility of SEK 200 million (200) to manage fluctuations in cash flow, none of which had been drawn as of 31 December 2019 (-). Loan financing is subject to covenants, i.e., that certain performance indicators are met. The performance indicators are calculated based on Sinch's EBITDA, interest expenses and net debt. Sinch analyzes these performance indicators on an ongoing basis.

Group	31 Dec 2019	31 Dec 2018
Granted credit limits		
Revolving line of credit	900,000	900,000
Total granted credit limits	900,000	900,000
Allocated credit limits	210,000	-
Unallocated credit limits	690,000	900,000
Available bank balances	466,297	180,759
Liquidity reserve	1,156,297	1,080,759
Other credit limits		
Bank overdraft facility	200,000	200,000

At year-end, Sinch's financial liabilities amounted to SEK 1,948.2 million (1,175.7), see Note 28, and the maturity structure is shown on the table below. Future payments of principal and interest on loan debt are included in the table estimated on the basis of the exchange rate and interest rate on the reporting date.

Maturity structure, financial liabilities

		31 Dec 2019						
Group	Original currency	Total	0-3 months	4-12 months	13-24 months	25-36 months	37-48 months	49-60 months
Bank loan	SEK	22,136	1,418	4,230	5,579	10,908	-	-
Bank loan	DKK	89,861	6,541	19,519	25,765	38,036	-	-
Bank loan	GBP	113,660	8,396	24,952	32,678	47,634	-	-
Bank loan	USD	148,366	3,701	11,000	14,349	119,316	-	-
Revolving line of credit	SEK	219,327	702	213,078	2,816	2,731	-	-
Senior unsecured bonds	SEK	847,897	4,930	14,682	19,558	19,558	19,558	769,612
Derivatives	SEK	4,118	3,994	124	-	-	-	-
Lease liabilities	Several	85,066	7,825	21,827	25,043	19,608	5,838	4,925
Accounts payable	See table	481,907	481,907	-	-	-	-	-
Funds belonging to a third party	DKK	3,936	3,936	-	-	-	-	-
Additional purchase consideration	BRL, EUR, USD	112,826	1,311	63,560	40,364	7,592	8,391	9,366
Total		2,129,100	524,661	372,972	166,152	265,384	33,786	783,902

		31 Dec 2018				
Group	Original currency	Total	0-3 months	4-12 months	13-24 months	25-36 months
Bank loan	SEK	27,844	1,445	4,324	5,679	16,397
Bank loan	DKK	127,713	6,625	19,834	26,046	75,208
Bank loan	EUR	153,464	7,961	23,833	31,298	90,372
Bank loan	GBP	152,751	8,102	24,223	31,525	88,902
Bank loan	USD	165,929	4,039	12,227	15,678	133,985
Derivatives	SEK	4,118	3,994	124	-	-
Accounts payable	See table	431,417	431,417	-	-	-
Funds belonging to a third party	DKK	6,191	6,191	-	-	-
Additional purchase consideration	EUR, USD	147,465	11,388	71,768	61,310	2,999
Total		1,216,891	481,162	156,332	171,535	407,862

Market risk

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in the market price. Market risk are categorized by IFRS into three types: interest rate risk, currency risk and other price risks. The market risks that primarily affect the Group are interest rate risk and currency risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market rates. Interest rate risk can lead to a change in cash flows. The fixed interest term is a significant factor affecting the interest rate risk. Sinch's loan financing is carried at a three-month rate. The interest base is STIBOR, CIBOR and LIBOR 3M. Interest varies depending upon the currency in which the loan was raised. The average interest rate for all loans is 2.1 percent (2.5).

An interest change of 100 points based on interest-bearing liabilities at the reporting date would affect the Group's future profit before tax by +/- SEK 43.1 million (12.7). The sensitivity analysis assumes that all other factors, such as exchange rates, remain constant.

CURRENCY RISK

The risk that fair values and cash flows relating to financial instruments may fluctuate when the value of foreign currencies change is called currency risk. Sinch is exposed to various types of currency

risks. The primary exposure originates in sales and purchases denominated in foreign currencies. These currency risks consist of the risk of fluctuations in the value of accounts receivable and accounts payable and the currency risk in expected and contracted payment flows. These risks are called transaction exposure. The Group engages in currency hedging only to a very limited extent. Foreign currency forward contracts are used to hedge the value of accounts receivable and accounts payable, for which hedge accounting does not apply. Sinch always aims to match revenues and costs in the same currency to the greatest extent possible.

Currency risk also arises in the translation of the assets and liabilities of foreign subsidiaries to the parent company's functional currency, which is called translation exposure. Hedge accounting is applied in the accounts as regards net investments in foreign subsidiaries through the raising of loans in the corresponding currency. See the table below for hedging relationships, all of which are effective.

Exchange rate differences are included in the parent company income statement at SEK -3.1 million (-13.4) in operating profit and at SEK 10.9 million (15.5) in financial items.

TRANSACTION EXPOSURE

Sinch's transaction exposure is mainly distributed among the following items and currencies; amounts in SEK thousands translated to the closing day rate.

31 Dec 2019								
Original currency	Accounts receivable	Accrued income	Prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loans and bonds	Total
AED	954	-	-	3,803	-1,013	-2,206	-	1,538
AUD	39,333	-	-	16,830	-14,843	-16,323	-	24,997
BRL	30,262	34,618	-	54,840	-28,901	-21,028	-	69,792
CAD	22,455	169	-	12,351	-1,177	5,919	-	39,718
CHF	-	-	-	-	-1,504	-1,110	-	-2,614
DKK	-	-	-	-47,132	-665	-2,268	-87,998	-138,063
EUR	759,528	21,383	10,224	120,276	-192,192	-233,555	-13,035	472,631
GBP	141,394	-	-	94,600	-100,515	-110,549	-109,442	-84,512
NOK	1,962	360	-	-1,056	-2,002	-1,886	-	-2,622
NZD	1,152	-	-	1,970	-732	-7,965	-	-5,575
PLN	-	-	-	1,343	-2,690	-2,210	-	-3,558
SGD	3,221	-	-	14,391	-4,827	-19,993	-	-7,208
TRY	227	-	-	552	-171	-	-	608
USD	150,346	30,362	36	183,142	-102,132	-60,553	-136,347	64,855
ZAR	-	-	-	922	-1	-	-	920
Other currencies	1,726	6,206	639	293	-4,508	1,467	-	5,823
Foreign currencies	1,152,560	93,100	10,900	457,125	-457,873	-472,259	-346,822	436,730
SEK	7,081	116	-	9,172	-24,034	-3,924	-971,022	-982,611
Total	1,159,641	93,216	10,900	466,297	-481,907	-476,183	-1,317,843	-545,880

31 Dec 2018

Original currency	Accounts receivable	Accrued income	Prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loans	Total
AED	-	-	-	-11,988	-138	-71	-	-12,197
AUD	32,064	202	-	-7,866	-11,937	-21,672	-	-9,209
CAD	16,358	157	1,729	9,029	-825	-1,581	-	24,866
CHF	-	-	-	-	-767	-1,158	-	-1,925
DKK	13,181	-	-	-55,588	-5,919	-13,613	-123,840	-185,779
EUR	553,656	22,855	1,634	256,763	-195,944	-185,357	-148,811	304,795
GBP	115,491	-678	-	31,288	-65,516	-68,325	-145,257	-132,997
NOK	1,852	25	-	1,272	-9,237	-4,917	-	-11,005
NZD	10	-	-	597	-1,839	-2,545	-	-3,777
PLN	-	-	-	1,229	-2,071	-473	-	-1,315
SGD	2,228	2,975	-	-766	-7,131	-2,084	-	-4,778
TRY	165	-	-	1,014	-247	-	-	932
USD	130,693	30,105	-66	83,768	-103,322	-53,791	-148,654	-61,268
ZAR	16	-	-	862	2	-	-	881
Other currencies	126	4,369	1,048	46	-5,482	-5,570	-	-5,463
Foreign currencies	865,842	60,010	4,344	309,661	-410,372	-361,160	-566,562	-98,239
SEK	14,049	4,650	-	-128,901	-21,044	-4,097	-19,558	-154,902
Total	879,890	64,660	4,344	180,759	-431,417	-365,257	-586,120	-253,141

SENSITIVITY TO TRANSACTION EXPOSURE

Based on transaction exposure as of 31 December 2019 above and excluding any currency hedges, Sinch's profit before tax would have been affected by +/- SEK 43.4 million (9.8) if exchange rates against the Swedish krona were to change by 10 percent. The largest exposures are against DKK, EUR and

GBP. If exchange rates for these currencies against the Swedish krona were to change by 10 percent, Sinch's profit before tax would be affected by SEK +/- 13.8 million (18.6), SEK 47.3 million (30.5) and SEK 8.5 million (13.3), respectively.

Translation exposure

Foreign net assets in the Group are distributed among the following currencies:

Original currency	31 Dec 2019			31 Dec 2018		
	Net investment	Hedged net investment	Net exposure	Net investment	Hedged net investment	Net exposure
AUD	8,444	-	8,444	6,173	-	6,173
BRL	386,631	-	386,631	-	-	-
CAD	28,408	-	28,408	17,100	-	17,100
DKK	209,397	-106,854	102,543	192,416	-123,841	68,575
EUR	366,138	-316,243	49,895	151,416	-148,811	2,605
GBP	468,149	-109,442	358,707	357,455	-145,257	212,198
INR	-20	-	-20	-3	-	-3
MYR	6	-	6	77	-	77
NGN	-	-	-	-329	-	-329
NOK	7,183	-	7,183	7,641	-	7,641
PLN	1,185	-	1,185	624	-	624
SGD	4,899	-	4,899	4,653	-	4,653
TRY	-124	-	-124	303	-	303
USD	1,353,903	-481,033	872,870	1,256,302	-435,699	820,604
ZAR	87	-	87	74	-	74
Total	2,834,288	-1,013,572	1,820,716	1,993,902	-853,608	1,140,295

SENSITIVITY TO TRANSLATION EXPOSURE

Consolidated equity would be affected by SEK +/- 182.1 million (114.0) if the Swedish krona were to change by 10 percent against all the currencies against which Sinch has translation exposure, based on the exposure as of 31 December 2019 as above, including hedges but excluding any effect on equity due to the currency translation of other items included in profit for the year. The amount recognized in the translation reserve and used for efficiency measurement amounts to SEK 5.7 million (6.3). Please refer to Note 1 *Accounting and measurement principles with regard to hedge accounting*.

Credit risk

Credit risk describes the Group's risk in the financial assets and arises if a counterparty fails to fulfill its contracted payment obligations towards Sinch. Default is defined as when internal or external information indicates that it is high probability that the counterparty is unable to settle their debts or when payment is delayed by 90 days. Credit risk is allocated to financial credit risk that relates to the risk in interest-bearing assets and derivatives and to customer credit risk relating to the risk in accounts receivable.

Financial credit risk

Financial credit risk is the risk the Group runs in relation to financial counterparties when investing surplus funds, balances on bank accounts and investing in financial assets. Credit risk in the form of counterparty risk also arises when using derivative instruments and consists of the risk that a potential profit will not be realized if the counterparty does not fulfill its part of the contract.

Sinch shall limit its exposure to financial counterparties by using banks and financial institutions that hold high credit ratings. In order to reduce the risk in derivative instruments, the Group has signed standardized set-off agreements (ISDA agreements) with the financial counterparties with which derivative contracts are concluded.

At year-end, surplus funds were mainly invested in major banks with global presence from primarily the Nordic countries, Australia and Brazil.

The maximum credit risk exposure for Sinch's financial assets amounts to SEK 1,733.3 million (1,137.0), see Note 28. Sinch has no collateral that can be claimed.

The Group's financial interest-bearing assets consist mainly of bank balances and are considered to have low credit risk as the assets have a high credit rating. The loss reserve for these assets is based on twelve months expected credit losses and amounts to SEK 0.1 million (0.1) at year-end.

Customer credit risk

The risk that Sinch's customers will not meet their obligations, that is, that payment is not obtained from customers, is a customer credit risk. Sinch has historically had very low credit losses. Sinch credit risk relating to accounts receivable has a high degree of risk diversification through a variety of customer categories in a large number of geographical markets and that many of the Group's customers are highly reputable companies with high credit ratings.

Sinch applies a policy of credit checking its customers, whereupon information about customers' financial position

is obtained from credit rating firms. Credit classifications are done to a certain extent; for example, the customer may be required to pay in advance. For those customers who pay in arrears, individual credit limits are set in the transaction system which cannot be exceeded.

Sinch has prepared a credit loss allowance matrix to measure expected credit losses for accounts receivable, which specifies a fixed percentage depending on the number of days after the receivable's maturity. The percentages defined in the matrix are based on historical losses. These percentages are adjusted for current situation and management's expectations of changes in risks in the outside world and customer's payment behavior in the future. There were no significant changes to the model during the year. Write-downs of the accounts receivable are the same as expected credit losses for the entire term. See also table in Note 17.

Capital management

Sinch defines its managed capital as consolidated equity. Sinch must have a robust financial position and good liquidity. This provides the financial scope for action and independence required to run the business and manage variations in the need for capital employed and to benefit from business opportunities. The board of directors of Sinch decides the company's capital structure and dividend policy.

Management of the capital structure is aimed at creating balance among equity, loan financing and liquidity so that Sinch assures the financing of the business at a reasonable cost of capital. Sinch endeavors to finance growth, normal investments and dividends to shareholders by generating sufficient positive cash flow for operating activities.

Dividend policy

As the board of directors believe there will be good opportunities for growth through acquisitions in the next few years, the board is proposing that the company's profits should primarily be reinvested.

Debt policy

Sinch's capital structure should enable a high degree of financial flexibility and enable acquisitions. Sinch's target is for net debt over time to be lower than 2.5 times adjusted EBITDA measured on a rolling twelve months' basis. "Over time" means that the company's debt is permitted to temporarily exceed the set target during a period immediately after a business combination.

NOTE 30.

Cash flow

Cash and cash equivalents	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash and bank balances	466,297	180,759	228	168

Interest	Group		Parent company	
	2019	2018	2019	2018
Interest received	3,735	2,666	143,222	17,703
Interest paid	-24,579	-22,038	-32,582	-25,010
Net interest	-20,844	-19,372	110,641	-7,307

Adjustment for non-cash items in cash flow from operating activities	Group		Parent company	
	2019	2018	2019	2018
Depreciation, amortization and impairments	183,866	155,485	1,956	1,735
Profit or loss from sale of equipment	-95	26	-	-218
Profit or loss from sale of mobile payments business	-	8,125	-	-
Change in loss allowance	10,766	1,933	-	-
Adjusted earnout	-	-29,848	-	-
Unrealized exchange rate differences	-5,161	-49,980	21,359	4,110
Acquisition costs	15,079	7,055	-	-
Fair value derivatives	-7,896	4,690	-6,320	-
Not paid/received interest	2,273	330	2,273	330
Write-down receivable Mblox sellers, GST Australia	11,086	-	-	-
Warrants vesting	5,352	1,369	-	-
Release restructuring reserve	-	-9,743	-	-
Other provisions	605	-1,991	-	-
Total	215,874	87,453	19,269	5,957

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2019	Non-cash items				Closing balance at 31 December 2019
		Cash flow	Acquisitions/ disposals	Change in fair value	Exchange rate changes	
Bank loan	581,340	-47,877	14,111	-	25,561	573,135
Senior unsecured bonds	-	744,624	-	85	-	744,709
Lease liability	83,793	-25,772	10,459	-	1,540	70,021
Total	665,133	670,975	24,571	85	27,101	1,387,864

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2018	Non-cash items				Closing balance at 31 December 2018
		Cash flow	Acquisitions/ disposals	Change in fair value	Exchange rate changes	
Bank loan	513,122	68,218	-	-	4,933	581,340
Financial leasing liability	282	-154	-	-	-	128
Total	513,404	68,064	-	-	4,933	581,468

Reconciliation of liabilities attributable to financing activities - Parent company	Opening balance at 1 January 2019	Non-cash items				Closing balance at 31 December 2019
		Cash flow	Acquisitions/ disposals	Change in fair value	Exchange rate changes	
Bank loan	581,340	-47,295	-	-	26,055	560,100
Senior unsecured bonds	-	744,624	-	85	-	744,709
Financial leasing liability	128	-128	-	-	-	0
Liability to group companies, utilized cash pool	68,562	15,339	-	-	-	83,901
Total	650,030	712,540	0	85	26,055	1,388,709

Reconciliation of liabilities attributable to financing activities - Parent company	Opening balance at 1 January 2018	Non-cash items				Closing balance at 31 December 2018
		Cash flow	Acquisitions/ disposals	Change in fair value	Exchange rate changes	
Bank loan	513,122	68,218	-	-	4,933	581,340
Financial leasing liability	-	-154	282	-	-	128
Liability to group companies, utilized cash pool	213,396	-144,834	-	-	-	68,562
Total	766,518	-76,770	282	-28,612	4,933	661,418

NOTE 31.

Acquisition of Group companies

2019

myElefant

Sinch acquired 100 percent of the share capital in myElefant SAS on 4 October. The acquired company was included in the consolidated accounts from that date in the Messaging segment. In 2018, myElefant had sales of approximately EUR 10.5 million (SEK 108 million), gross profit of about EUR 3.1 million (SEK 32 million) and adjusted EBITDA of about EUR 0.8 million (SEK 8 million). Upfront cash consideration amounted to EUR 18.8 million (SEK 203.3 million) with an additional cash earnout of up to EUR 3 million if certain gross profit targets are met during the first two years. The fair value of contingent consideration has been calculated based on the assumption that the maximum amount will be paid and the discount effect has been deemed immaterial. The payment is split into two parts, half in Q2 2021 and half in Q4 2021. Contingent consideration is recognized among Non-current liabilities, non-interest-bearing in the balance sheet. The acquisition was financed with Sinch's available credit facilities. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 185.6 million arose upon acquisition, mainly attributable to the expertise contributed by myElefant. The estimated useful lives of assets are ten years for customer relationships, five years for proprietary software and 15 months for the myElefant brand.

TWW

Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. (TWW) on 23 October. The acquired company was included in the consolidated accounts from that date in the Messaging segment. In 2018, TWW had sales of approximately BRL 134 million (SEK 326 million), gross profit of about BRL 35 million (SEK 85 million) and adjusted EBITDA of about BRL 17.5 million (SEK 43 million). The purchase consideration was BRL 180.8 million (SEK 422.4 million) on a cash- and debt-free basis. In addition to the initial consideration, the sellers are entitled to compensation for the tax loss carryforwards that can be utilized in the next five years. Payment of the utilized amount will be made at the end of each year. Fair value was calculated based on a five-year forecast of profit before tax and BRL 18.2 million (SEK 42.6 million) has been recognized as a liability among Non-current liabilities, non-interest-bearing in the balance sheet. The liability corresponds to the value of deferred tax assets identified at acquisition. The acquisition was financed with Sinch's available credit facilities. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 309.7 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by TWW. The estimated useful life of domestic customer relationships and operator relationships is ten years and the estimated useful life of international customer relationships is five years.

Previous acquisitions

Contingent consideration (earnout) of SEK 11.3 million for Sinch Mobile AB was paid during the first quarter. The purchase agreement regarding Vehicle included maximum earnouts of USD 18 million based on the company's sales and EBITDA performance. An earnout of USD 8 million (SEK 74.4 million) was paid in the second quarter. Additional contingent consideration of USD 10 million is possible. The expected outcome is USD 6.5 million and is still recognized as a liability.

Acquisition analyses

Preliminary acquisition analyses for myElefant and TWW. Some uncertainty exists regarding taxable amount of acquired assets and liabilities, investigation not yet completed.

Fair value of acquired net assets	myElefant	TWW
Customer relationships	29,481	121,931
Operator relationships	-	12,273
Trademarks	1,352	-
Proprietary software	28,843	-
Other intangible assets	15	1,100
Right-of-use assets	8,106	-
Other intangible assets	662	1,826
Deferred tax assets	6,871	42,566
Other financial liabilities	636	-
Accounts receivable	19,345	28,206
Credit loss reserve	-476	-820
Accrued income	586	9,503
Other current receivables	8,742	25,049
Cash and cash equivalents	11,693	46,377
Deferred tax liabilities	-16,709	-45,629
Provisions	-	-6,217
Lease liability	-7,849	-
Other interest-bearing liabilities	-14,111	-
Accounts payable	-19,837	-31,350
Other current liabilities	-8,390	-12,449
Total acquired net assets	48,961	192,366

ALLOCATION OF PURCHASE CONSIDERATION

Purchase consideration	myElefant	TWW
Original purchase consideration	203,307	422,365
Additional purchase consideration, recognized as a liability	31,301	42,566
Cash and debt settlement, recognized as liability	-	37,159
Total consideration	234,608	502,090
Fair value of acquired net assets	-48,961	-192,366
Goodwill	185,646	309,723

EFFECTS OF ACQUISITIONS ON CONSOLIDATED CASH AND CASH EQUIVALENTS

Investing activities	myElefant	TWW	Sinch	Vehicle	Total
Original purchase consideration	203,307	422,365	–	–	625,671
Earnouts	–	–	11,347	74,444	85,791
Cash and cash equivalents in acquired subsidiaries	-11,693	-46,377	–	–	-58,071
Direct costs relating to acquisitions	5,327	9,751	–	–	15,079
Effects of acquisitions on cash and cash equivalents:	196,941	385,739	11,347	74,444	668,471

CONTRIBUTION OF ACQUIRED COMPANIES TO CONSOLIDATED SALES AND PROFIT

2019	myElefant	TWW	Total
Net sales	47,539	101,154	148,693
Profit after tax for the year	3,599	15,748	19,347

THE TABLE SHOWS SALES AND PROFIT AS IF THE ACQUISITIONS OF MYELEFANT AND TWW HAD TAKEN PLACE ON 1 JANUARY 2019

2019	myElefant	TWW	Other companies	Amortization of acquired assets	Total
Net sales	131,555	381,351	4,874,014	–	5,386,920
Profit after tax for the year	9,194	47,256	252,116	-17,698	290,868

2018**Unwire**

Sinch acquired 100 percent of the share capital in Unwire Communication ApS on 27 March. The purchase consideration was DKK 148 million (SEK 205.3 million) on a cash- and debt-free basis. The acquisition was financed with expanded credit facilities of DKK 100 million (SEK 136.8 million) and cash reserves. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 128.2 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Unwire. The estimated useful life of proprietary software and customer relationships PSMS is three years. The estimated useful life of other customer relationships and operator relationships is ten years.

Vehicle

On 4 April, the company acquired 100 percent of share capital in Vehicle Agency LLC. The initial purchase consideration was USD 8 million (SEK 67.1 million) on a cash- and debt-free basis. In addition, an earnout of USD 4 million (SEK 35.8 million) was paid in July. The acquisition was financed with cash reserves. The purchase agreement provides for additional earnouts based on sales and EBITDA performance of a maximum of USD 18 million. The anticipated outcome discounted to present value

amounts to USD 14.5 million (SEK 129.9 million) and has been recognized as a liability. According to the preliminary acquisition analysis, goodwill of SEK 146.0 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Vehicle. The estimated useful life of proprietary software and customer relationships is ten years and the estimated useful life of the brand is one year.

Non-controlling interest in Caleo

The earnouts for Caleo, which are based on sales of the company's licenses to new customers, were adjusted in 2018. The updated expected outcome amounts to SEK 6.0 million (7.2) and is still recognized as a liability. Payment could be made during the third quarter of 2020 and 2022, respectively.

Sinch Mobile AB

The purchase agreement for Sinch Mobile AB also included a possible earnout based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the provision for the earnout was adjusted by SEK 28.6 million to SEK 11.4 million (40.0). Payment was made in January 2019.

Acquisition analyses

Definitive acquisition analyses for Unwire and Vehicle.

Fair value of acquired net assets	Unwire	Vehicle
Customer relationships	73,653	71,679
Customer relationships, PSMS	5,548	-
Operator relationships	3,884	-
Trademarks	-	448
Proprietary software	12,484	27,776
Property, plant and equipment and other intangible assets	152	2,103
Deferred tax assets	5,853	-
Accounts receivable	19,385	7,244
Accrued income and prepaid expenses	782	3,323
Other current receivables	255	1
Cash and cash equivalents	7,980	2,687
Deferred tax liabilities	-22,807	-20,980
Accounts payable	-9,081	-1,308
Accrued expenses and prepaid income	-16,659	-266
Other current liabilities	-2,756	-58
Total acquired net assets	78,672	92,649

ALLOCATION OF PURCHASE CONSIDERATION

Purchase consideration	Unwire	Vehicle
Original purchase consideration	205,287	67,100
Earnouts	-	35,840
Additional purchase consideration, recognized as a liability	-	129,919
Settlement, working capital	-6,377	3,119
Settlement, cash and cash equivalents	7,980	2,687
Total consideration	206,890	238,664
Fair value of acquired net assets	-78,672	-92,649
Goodwill	128,218	146,014

EFFECTS OF ACQUISITIONS ON CONSOLIDATED CASH AND CASH EQUIVALENTS

Investing activities	Unwire	Vehicle	Sinch	Dialogue	Total
Original purchase consideration	205,287	67,100	-	-	272,387
Settlement, working capital	-	3,119	-	-	3,119
Settlement, debts	-6,377	-	-	7,107	730
Earnouts	-	35,840	-	-	35,840
Settlement, cash and cash equivalents	7,980	2,687	-	-	10,667
Cash and cash equivalents in acquired subsidiaries	-7,980	-2,687	-	-	-10,667
Direct costs relating to acquisitions	5,902	2,378	80	1,073	9,433
Effects of acquisitions on cash and cash equivalents	204,812	108,436	80	8,180	321,508

CONTRIBUTION OF ACQUIRED COMPANIES TO CONSOLIDATED SALES AND PROFIT

2018	Unwire	Vehicle	Total
Net sales	90,841	52,251	143,092
Profit after tax for the year	26,288	9,524	35,812

THE TABLE SHOWS SALES AND PROFIT AS IF THE ACQUISITIONS OF UNWIRE AND VEHICLE HAD TAKEN PLACE ON 1 JANUARY 2018

2018	Unwire	Vehicle	Other companies	Amortization of acquired assets	Total
Net sales	119,262	63,628	3,842,966	-	4,025,856
Profit after tax for the year	35,600	10,613	90,357	-40,302	96,268

NOTE 32.**Events after the end of the financial year****Acquisition of Chatlayer**

On 19 March 2020, Sinch entered into a definitive agreement to acquire Chatlayer BV for an enterprise value of EUR 6.9 million on debt-free basis. The acquisition is financed using Sinch's available cash at hand.

ChatLayer.ai is a cloud-based software platform that lets businesses create multi-lingual chatbots and voicebots using Artificial Intelligence (AI) and Natural Language Understanding (NLU).

2019, Chatlayer generated revenue of about EUR 0.8 million, gross profit of about EUR 0.7 million and EBITDA of about EUR -0.9 million. The transaction was closed on 1 April 2020.

Acquisition of Wavy

On 26 mars 2020, Sinch entered into a definitive agreement to acquire Wavy, through the two legal entities Movile Internet Móvel S.A. and Wavy Global Holdings BV, for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. Using share price of SEK 311 and SEK/BRL exchange rate of 2.00, this corresponds to an enterprise value of SEK 1,187 million. The acquisition is financed through a combination of cash and debt facilities.

Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles over 13 billion messages per year. A strong commitment to innovation has also seen Wavy develop a leading position in next-generation, conversational messaging over WhatsApp.

In the 12 months ending 31 March 2020, Wavy is expected to record revenues of BRL 464 million (SEK 929 million), gross profit of BRL 130 million (SEK 261 million) and adjusted EBITDA of BRL 48 million (SEK 95 million). Wavy has 260 employees and 9 offices in 6 countries. Synergies from the combination of Sinch and Wavy are expected to reach BRL 15-20 million (SEK 30-40 million), over the coming 24 months.

Closing of the transaction is subject to customary closing conditions, including regulatory approval from CADE, Conselho Administrativo de Defesa Econômica, the competition authority in Brazil. The transaction is expected to close in H2 2020. Sinch has agreed to pay Movile a termination fee of BRL 30 million (SEK 60 million) if the transaction is not completed and certain conditions are met.

New share issue

Sinch has, based on the issue authorization granted by the annual general meeting on 17 May 2019, resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share, corresponding to a discount of 2.1 percent in relation to the closing price for the Company's share on 26 March 2020.

The directed new share issue generated a large interest and has been carried out to selected Swedish and international institutional investors. Through the directed new share issue, Sinch will raise SEK 1,500 million before issue costs. The Compa-

ny intends to mainly use the proceeds to increase the Company's financial flexibility for new acquisitions and strengthen the Company's position as a relevant and competitive buyer.

Through the directed new share issue, the number of shares and votes in the Company will increase by 5,000,000 shares and votes, from 53,874,751 shares and votes to 58,874,751 shares and votes. The share capital will increase with SEK 500,000 from SEK 5,387,475.10 to SEK 5,887,475.10. The new share issue entails a dilutive effect for existing shareholders of approximately 9.3 percent based on the total number of shares in the Company at the time of the new share issue.

Increased credit facilities

Sinch is continuously evaluating its capital structure and financing sources to maintain financial flexibility to continue to pursue value creating opportunities through acquisitions. Sinch has per 26 March 2020 secured an increase in the existing credit facility of SEK 600 million for M&A provided that the Company meets certain pre-defined terms and conditions. After the increase, the facility will have a total commitment of SEK 1,850 million. In addition to the credit facility, Sinch has overdraft facilities of SEK 250 million in place, an increase of SEK 50 million from year-end.

Covid-19

In response to uncertainty around Covid-19, Sinch management has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances. The direct financial impact of Covid-19 currently remains limited on an overall level. Messaging volumes are developing as expected. In terms of negative effects, these are concentrated to the smaller Voice and Video segment where travel restrictions in select markets is causing decreased voice volumes of Number Masking services to ride hailing companies.

NOT 33.**Proposed allocation of profit**

The Board of Directors will propose to the annual general meeting that no dividend be distributed for the financial year 2019.

The following non-restricted equity in the parent company is at the disposal of the annual general meeting, SEK:

Share premium reserve	1,363,190,520
Retained earnings	59,208,388
Profit for the year	62,037,706
Total	1,484,436,614

The Board of Directors proposes that profit be allocated as follows, SEK:

Carried forward to the share premium reserve	1,363,190,520
Retained	121,246,094
Total	1,484,436,614

Certification and signatures

The board of directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, and that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden. The annual report and the consolidated financial statements present fairly, in all material respects, the financial position and financial performance of the parent company and the Group. The man-

agement report for the parent company and the Group presents a fair overview of the development of the parent company's and the Group's operations, financial position and financial performance and describes significant risks and uncertainties faced by the parent company and the companies included in the Group. The consolidated financial statements and the parent company financial statements will be presented to the annual general meeting for adoption on 15 May 2020.

Stockholm, 24 April 2020

ERIK FRÖBERG

Chairman

BRIDGET COSGRAVE

Director

RENÉE ROBINSON STRÖMBERG

Director

JOHAN STUART

Director

BJÖRN ZETHRAEUS

Director

OSCAR WERNER

Chief Executive Officer

Our audit report was submitted
24 April 2020, Deloitte AB

ERIK OLIN

Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders in Sinch AB (publ),
corporate registration number 556882-8908

Report on the annual accounts and consolidated financial statements

OPINIONS

We have audited the annual accounts and consolidated accounts of Sinch AB (publ) for the financial year beginning 1 January 2019 and ending 31 December 2019. The annual accounts of the company are included on pages 24-86 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory management report is consistent with other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of the annual accounts and the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

ALLOCATION AND ACCRUALS OF REVENUE

DESCRIPTION OF RISK

Sinch's revenues are generated from messaging services and sales of software licenses, updates, equipment and support.

Promises of goods or services to customers that meets the criteria of being distinct is accounted for as a performance obligation separate from other promised goods or services. Revenue is recognized when control of the underlying goods or services for that particular performance obligation is transferred to the customer. Identifying distinct promises (performance obligations) requires management to make significant judgments and estimates that may have a significant impact on the Group's net sales and earnings. Also, revenues are significant and derives from a large number of smaller transactions that are priced individually for all customers as well as customer-specific agreements. There is a risk that revenues are not complete, that transactions are not accurately priced and that revenues are not reported in the right period.

The Group's policy for revenue recognition and a description of critical accounting estimates and judgments are described in Note 1, and in Note 2 revenue are presented separately for the Messaging, Operator, and Voice and Video segments.

OUR AUDIT PROCEDURES

Our audit procedures included, but were not limited to:

- assessing key controls and processes supporting revenue recognition,
- assessing the Group's accounting policy for revenue recognition to ensure compliance with IFRS,
- on a sample basis testing sales transactions for revenue recognition in the accounting period when performance obligations has been met, and
- on a sample basis testing recognition of revenue related to service contracts ensuring revenue is recognized as services are being delivered.

ACCOUNTING FOR BUSINESS COMBINATIONS**DESCRIPTION OF RISK**

In 2019, Sinch made acquisitions of myElefant and TWW do Brasil. Accounting for business combinations requires significant judgments and estimates to determine the fair value of acquired assets and assumed liabilities.

The Group's accounting policies for business combinations are described in Note 1. Additional disclosures on the effects of business combinations are provided in Note 31.

OUR AUDIT PROCEDURES

Our audit procedures included, but were not limited to:

- testing the purchase price allocation using internal valuation specialists in order to assess the identification of acquired assets and liabilities and the fair values allocated to acquired assets and liabilities, and
- review of accounting policies applied and disclosures made for business combinations to ensure compliance with IFRS.

VALUATION OF INTANGIBLE ASSETS**DESCRIPTION OF RISK**

As a result of historical business combinations, Sinch recognizes significant intangible assets. On an annual basis (goodwill) and when indications of a decline in value have been identified (all intangible assets including goodwill), management tests carrying value for impairment based on identified cash generating units. The impairment tests are complex and require significant management estimates and judgments in determining the Group's cash generating units as well as future growth rates, profit margins, investment levels and discount rates to be applied.

The Group's accounting policy for impairment testing is described in Note 1 and Note 12 describes the key assumptions applied by management in the annual impairment testing for cash generating units to which goodwill has been allocated.

OUR AUDIT PROCEDURES

Our audit procedures included, but were not limited to:

- assessing Sinch's policies and procedures for preparing its impairment tests to ensure compliance with IFRS,
- evaluating key assumptions applied by management for impairment testing of cash generating units, and assessing the sensitivity of the key assumptions, and
- testing the models used for discounting future cash flows.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains information other than the annual accounts and consolidated accounts and is found on pages 1-23. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is mate-

rially inconsistent with the annual accounts and the consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement and are therefore the key audit matters. We describe these matters in the Auditor's Report unless law or regulation precludes disclosures about the matter.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Sinch AB (publ) for the financial year 1 January 2019 to 31 December 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory management report and that the Board of Directors and the CEO be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration of the company, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Deloitte AB was appointed as auditor of Sinch AB (publ) by the general meeting held 17 May 2019 and has been the company's auditor since 1 February 2012.

Stockholm, 24 April 2020
Deloitte AB

Erik Olin
Authorized Public Accountant